



Property

Detailed information about GST and the property industry.

GST and the margin scheme



Before selling a property, find out if you can use the margin scheme and how to calculate GST.

GST and property



Find out how GST applies to property sales and transactions.

GST and residential property



How GST applies to residential property, build to rent property developments, and retirement villages.

GST and commercial property



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

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Find out when a mortgagee in possession is liable for GST on the sale of a property.

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GST at settlement



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GST at settlement – a guide for suppliers and their representatives



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GST at settlement – a guide for purchasers and their representatives



Buyers of new residential premises or potential residential land must withhold an amount and pay it to the ATO.

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GST and property

Find out how GST applies to property sales and transactions.

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Goods and services tax (GST) applies to the supply of certain property types if the supplier (seller or vendor) is registered or required to be registered for GST purposes.

In this content we use the more common term 'property' instead of the technical term 'real property'.

Property can be:

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

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.

See also:

- GST and residential property
- GST and commercial property
- Property
- GST property decision tool

Property and registering for GST

Generally, you won't be required to register for GST if:

- your property transactions are for private use, such as constructing or selling your family home
- you only receive residential rent from your property.

You may be required to register for GST, even if you are not a business, if:

- the turnover from your property transactions and other taxable transactions is more than the GST registration threshold
- your activities are regarded as an 'enterprise', for example – if you buy land with the intention of developing it for resale at a profit. Even a one-off property transaction may be considered an enterprise.

If you're required to register for GST you need an Australian business number (ABN).

Watch:

Media:Calculating GST turnover

<http://tv.ato.gov.au/ato-tv/media?v=bd1bdiunnj8bs8>

Next steps:

- Check the GST registration threshold
- Use the GST property decision tool to help you determine the GST requirements of property transactions

- [Calculating GST turnover](#)

See also:

- Residential rental properties

Calculating GST turnover

When calculating your GST turnover for registration purposes, **don't include:**

- the sale of existing residential property
- sales for no payment that aren't taxable (unless made to an associate)
- other property sales that are private and not connected to your enterprise, such as your family home
- residential rental income.

See also:

- Working out your GST turnover


Registering for GST

If you need to register for GST, you need an Australian business number (ABN). When you apply for an ABN you can register for GST at the same time.

Once you have an ABN and are registered for GST:

- You must include GST in the price you charge for taxable supplies (sales) of goods and services, including certain property transactions.
- You may be eligible to claim credits for GST included in the price of goods and services you buy for your business.

See also:

- [Applying for an ABN](#) 
- Registering for GST

If you don't register for GST

If you don't register for GST when required, you may have to pay GST on sales made since the date you became required to register. This is the case even if you didn't include GST in the price of those sales.

Penalties and interest may also apply.

Find out about:

- [Applying GST to property](#)
- [GST at settlement](#)
- [Margin scheme](#)
- [GST adjustments for property transactions](#)
- [Non-resident property owners](#)

Cancelling GST registration

If you don't need your GST registration for any other purpose, you can cancel it.

Remember to claim all GST credits you're entitled to **before** lodging your final activity statement.

See also:

- Cancelling your GST registration

Applying GST to property

If you supply property and are registered or required to be registered for GST, the sale may be:

- **Taxable** – you're liable for GST on the sale and can claim GST credits for anything purchased or imported to make the sale (subject to the normal rules on GST credits). For example, the supply of new residential property or commercial properties.
- **GST-free** – you're **not** liable for GST on the sale, but you can claim GST credits for anything purchased or imported to make the sale (subject to the normal rules on GST credits). For example, if the sale is a supply of a going concern.
- **Input taxed** – you're not liable for GST on the sale and you can't claim GST credits for anything purchased or imported to make the sale. For example, the sale of existing residential premises.

- **Mixed** – a combination of any of the above.

Buying or selling new residential property

If you are a supplier and build new residential premises for sale:

- you're liable for GST on the sale
- you can claim GST credits for your construction costs and any purchases you make related to the sale.

You can't claim GST credits for GST included in the sale price when:

- the margin scheme is applied to a property sale
- the supplier isn't registered for GST.

If you purchase residential premises to use in your GST registered business, you can claim the GST included in the purchase price.

Find out about:

- [Contract of sale](#)
- [Settlement adjustments](#)
- [Claiming GST credits when purchasing property](#)
- [Tax invoices](#)
- [Who reports the GST](#)

See also:

- GST and the margin scheme

Contract of sale

Property sales contracts should include:

- if the contract price includes GST or not
- if the margin scheme applies and, if so, the margin rate. This may be in a separate written agreement.

You may want to include a clause that limits the liability of the supplier or purchaser if the GST treatment included in the contract is later found to be wrong.

See also:

- GST at settlement – Property contract considerations
- GST and the margin scheme
- *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*
- Tax invoices

Settlement adjustments

When selling a property there may be adjustments for costs such as council and water rates.

These adjustments are part of the amount payable for the property. They must be included:

- on your activity statement at **G1**
- when determining the amount of GST to include at **1A**.

Find out about:

- [GST at settlement](#)
- [GST adjustments for property transactions](#)

See also:

- GST at settlement – Property contract considerations
- *GSTD 2006/3 Goods and services tax: are settlement adjustments taken into account to determine the consideration for the supply or acquisition of real property?*

Claiming GST credits when purchasing property

You can claim GST credits for GST included in purchases for your GST-registered enterprise.

You can generally claim GST credits if you purchase property or land using a standard contract for your enterprise and GST was included in the sale.

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

- you aren't registered (or not required to be registered) for GST at the time of purchase

- you only paid a deposit under a standard land contract – you must wait until the sale has been finalised
- the supplier isn't registered for GST
- you purchase an existing residence
- you purchase a property as a private sale, including the family home
- you purchase or construct new residential property for rental purposes, including build-to-rent properties
- you purchase property as part of a GST-free supply of a going concern or GST-free farmland
- you purchase property or land using the margin scheme
- you purchase residential property, such as a room, unit or an apartment that you lease to a business supplying it as hotel accommodation with other facilities.

If you are entitled to claim GST credits, you must:

- hold a valid tax invoice issued by suppliers when you lodge your activity statement
- claim them in your activity statement for the tax period that settlement occurs
- claim them within four years of the due date of the activity statement for the reporting period the credit is claimable.

See also:

- Time limits on GST credits and refunds
- Build-to-rent property developments
- GST and the margin scheme

Tax invoices

You can only claim GST credits with supporting documentation.

When you purchase property and intend to claim GST credits:

- make sure you get tax invoices
- check that the contract price includes GST as contracts for property sales aren't normally valid tax invoices.

A tax invoice can be requested if **all** of the following apply:

- The supplier is registered or required to be registered for GST.
- A sale, or part of a sale is taxable.
- The margin scheme hasn't been applied.

See also:

- Keeping your tax records

Who reports the GST?

Property sales need to be reported in the activity statement when settlement occurs. If you are a:

- sole trader – you need to include it
- member of a partnership – the partnership reports the sale, **not** individuals in the partnership
- member of a GST group – sales should be reported against the representative member who is required to complete the activity statement on the members' behalf
- trustee – the trustee reports it using the trust's ABN
- self-managed superannuation fund (SMSF) – the trustee reports on behalf of the SMSF, using the SMSF's ABN.

Find out about:

- [GST at settlement](#)
- [Margin scheme](#)
- [GST adjustments for property transactions](#)
- [Change in use of your property](#)
- [Non-resident property owners](#)

GST at settlement

Purchasers of new residential property or potential residential land are required to:

- withhold the GST from the contract price at settlement and pay that amount directly to us

- pay the sale price to the supplier separately.

The transitional period for contracts entered into before 1 July 2018 ended 30 June 2020.

See also:

- GST at settlement
- GST property settlement online forms and instructions
- GST at settlement – a guide for suppliers and their representatives
- GST at settlement – a guide for purchasers and their representatives

Margin scheme

The margin scheme is a way of working out the GST payable when you sell property as part of your business.

You can only apply the margin scheme if:

- the sale of the property is taxable
- you are eligible to use it.

As a supplier you must have made a written agreement with the purchaser before the settlement date to sell the property using the margin scheme.

See also:

- GST and the margin scheme
- GST at settlement – Margin scheme
- Claiming GST credits

GST adjustments for property transactions

If the use of a property has changed from its intended or previous use – known as 'a change in creditable purpose' – you may need to make an adjustment on your activity statement.

An adjustment is a change that increases or decreases your net GST liability for a reporting period.

If you use the accounts method, you report these amounts on your activity statement at:

- increasing adjustments at Label **1A** GST on sales
- decreasing amounts at Label **1B** GST on purchases.

Calculating adjustments

To calculate your adjustments, you need the following information:

- what you purchased
- when you made the purchases
- the GST-exclusive value of each purchase
- the GST credits on purchases claimed when you lodged your activity statement
- the tax period for which you claimed GST credits on the purchase
- any previous adjustments made relating to the purchase
- 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
- the date you sold the property
- the amount you sold it for.

Next step:

- How to make adjustments

Change in use of your property

When there's been a change in the use of the property from your original intention, it's called a change in 'creditable purpose'.

You may need to make a GST adjustment on your activity statement if you bought, sold or rented a property and your actual use of the property is different to your intended use.

Events that may trigger a change in creditable purpose include:

- where you claimed GST credits on the construction of new residential property intending to sell, but then you rent it out prior to the sale
- moving into new residential property and occupying it privately, while still trying to sell it
- purchasing a property GST-free as a **going concern**, but using the property for another purpose to make taxable sales or GST-free sales
- purchasing a residential rental property as part of the acquisition of a GST-free going concern but then deciding to keep renting the property
- purchasing **farmland** GST-free but then deciding to use part of the land for an activity that involves making supplies that are not solely taxable or GST-free.

The change in the actual use of the property means there has been a change in the creditable purpose.

Example 1: Renting apartments originally intended for sale

Bob constructs six residential units to sell as part of his business. Bob claims GST credits for all his purchases that relate to constructing the six units.

Bob sells four of the units shortly after they are completed but is unable to sell the other two. Bob decides to stop marketing the two remaining units for sale and start renting them out.

As he is now making input taxed supplies of rent, Bob's original intent to sell the new residential property as taxable supplies (that is a fully creditable purpose) has changed.

Depending on how many adjustment periods each acquisition has, Bob may need to make an increasing adjustment in relation

to the GST credits he claimed for the development of the two rented units, at the next applicable adjustment period.

Example 2: Selling apartments originally intended for rent

Kevin is a property developer who is registered for GST. He subdivides a property into two lots and builds a residential unit on each lot. Kevin intends to sell one of the units (Unit 1A) and rent out the other (Unit 1B) for at least 10 years. As he has always planned to rent out one of the units, Kevin only claims GST credits in relation to the construction of Unit 1A and pays GST on the sale of that unit.

Three months after Kevin originally rents out Unit 1B he gets an offer to buy the property, which is too good to refuse. Kevin decides to sell Unit 1B rather than rent it out.

GST will be payable on the sale of the property as they are still considered 'new residential property'. As Kevin has used the property differently to his original plan (that is, he will make a taxable sale of the property instead of using the property to make an input taxed supply of residential rent), he will need to make a decreasing adjustment to recover some of the GST credits he did not claim.

Renting while waiting for a buyer

If you build a property to sell, but then decide to rent it out while you are trying to find a buyer, you need to keep records to show that you're holding the property for a 'dual purpose'. This means, you intend to rent the property while trying to sell it by actively marketing it for sale.

Example: Actively marketing a property while renting

Helki builds a new residential property with the intention of selling it. Helki claimed full GST credits on the acquisition of the property and the construction costs.

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

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

Because Helki's use of the property has changed from the way she originally intended to use it, she has a change in extent of creditable purpose and has to make an adjustment to repay some of the credits she claimed.

See also:

- *GSTR 2009/4 Goods and services tax: new residential premises and adjustments for changes in extent of creditable purpose*
- *GSTR 2000/24 Goods and services tax: Division 129 – making adjustments for changes in extent of creditable purpose.*

Non-resident property owners

If you're a property owner and **not** an Australian resident, you may still be required to pay GST on property transactions in Australia.

Providing services to non-resident property owners

If you provide services to non-resident owners of Australian property, those services are taxable. These services could include real estate management or preparing tax returns.

Example 1: Real estate agent services

Bourne Ltd (a company not resident in Australia) is GST-registered.

Bourne Ltd owns a six-storey building in Sydney. The top two floors contain a luxury residential apartment. The remaining floors contain offices, medical suites and fashion outlets.

A family rents the apartment as their residential home and the remaining floors are rented out as commercial property.

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

In this situation, Bourne Ltd:

- can claim GST credits for the real estate services relating to the commercial property
- can't claim GST credits for real estate services relating to the residential apartment
- if the GST credits relate to both commercial and residential property apportionment will be required.

Example 2: Preparation of tax return

Caroline, a non-resident of Australia, has owned a building in Australia since 1995. The building has two levels, with commercial property on the ground level and residential on the upper level.

Caroline leases both the commercial and residential property, receives income and incurs deductions for the property. As a result, Caroline is liable to pay income tax in Australia.

Caroline engages Jim (a registered tax agent) to prepare her Australian income tax return. Jim takes into account Caroline's income from both commercial and residential leasing when preparing her tax return.

Jim's service is subject to GST. Caroline must pay GST on the whole of his services.

If Caroline was entitled to register for GST, she could only claim a GST credit for the GST included in the price of Jim's services relating to the commercial leases.

See also:

- Australian GST registration for non-residents
- GSTR 2000/37 *Goods and services tax: agency relationships and the application of the law*

GST and residential property

How GST applies to residential property, build to rent property developments, and retirement villages.

Last updated 21 March 2025

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Residential property

GST only applies to the sale of certain property types if the seller (vendor) is registered or required to be registered for GST purposes.

A residential property includes houses, units, flats and more. It refers to residential property that provides shelter and contains basic living facilities. It doesn't include vacant land.

A property is a residential property if it:

- can be occupied
- is occupied or is intended to be occupied as a residence
- is for residential accommodation, regardless of the length of occupation.

New residential property

Most purchasers are required to pay a withholding amount from the contract price at the date of settlement.

This applies to:

- new residential property

- land that could be used to build new residential property (potential residential land).

The purchaser pays the withholding amount directly to us rather than to the property supplier.

If you're selling a new residential property or potential residential land, you have to work out if you are carrying on an enterprise. This may be the case, even for one-off transactions.

If this happens, you:

- can claim GST credits for purchases made in constructing the property for sale
- will need to account for GST on the sale of your property.

If you are not carrying on an enterprise for GST purposes, ensure that you meet your income tax obligations, including CGT.

Meaning of new residential property

A new residential property is a property where any of the following apply:

- it hasn't been sold as residential property before
- it's been created through substantial renovations
- new buildings replace demolished buildings on the same land
- one of the properties above that has been rented out for
 - less than 5 years
 - more than 5 years but it has been actively marketed for sale while it is rented.

Buying and selling off the plan

An off-the-plan purchase occurs when you enter into a contract to purchase new residential property before construction is completed.

At this stage, you're purchasing a contractual right to have the property built. Generally, you pay a deposit and sign a contract with a developer. You pay the balance of the purchase price on settlement.

On settlement, you're purchasing new residential property and the purchase price will include GST. You may be required to pay this GST

amount directly to us under GST at settlement.

Selling a property you are buying off the plan

If you sell the contractual right to have the property built, before settlement:

- the activities involved in selling an off-the-plan property may constitute an enterprise
- you may need to register for GST
- GST may apply to that sale.

For more information about GST and property, see:

- [Change in use of your property](#)
- [GST at settlement](#)
- [Property and capital gains tax](#)
- [Property and registering for GST](#)

Existing residential property

Existing residential property is residential property that is not new residential property.

You can't claim GST credits for anything you purchase when selling existing residential property and you're not liable for GST on the sale.

If you sell existing property and part of the building contains residential property and part is commercial property (mixed supply), GST may apply proportionately to the commercial part on the sale.

If you purchase existing residential property, the sale from the vendor to you is input taxed, so you can't claim a GST credit on the purchase.

Rent and bonds from residential property

Rent and bonds aren't subject to GST. If you lease residential property, or receive a bond or security deposit for leased residential property, you:

- aren't liable for GST on the rent you charge, or on the bond or security received

- can't claim GST credits for anything you purchase or import to lease the property.

The GST treatment of property also varies depending on the type, whether it's residential (new or existing) or **commercial property**.

Build to rent property developments

The term 'build to rent' (BTR) is a broad concept and includes all premises that have been built with the intention of renting or leasing. Different GST treatments apply depending on what type of premises is supplied.

How BTR applies

If you rent out **residential premises** for residential accommodation, your rent is input taxed.

Build to rent property developments (also referred to as multi-family developments) provide residential rental accommodation. If you are an endorsed charity, gift deductible entity or government school making **non-commercial** of residential accommodation, your rent is GST-free.

The lease of **commercial residential premises** is subject to GST.

Commercial residential premises include:

- hotels, motels, inns
- hostels, boarding houses
- caravan parks, camping grounds
- other establishments that provide similar services to the above.

The lease of **commercial property** subject to GST. Developments may include a mix of build to rent and build to sell, or a mix of different build to rent properties with different GST treatments.

If you are unsure of the correct GST treatment for your build to rent property development, we recommend you seek advice from your tax adviser or **contact us**.

For more information on build to rent property developments, see:

- **Build to rent development tax incentives**

- Goods and Services Tax Ruling GSTR 2012/5 *Goods and services tax: residential premises*
- Goods and Services Tax Ruling GSTR 2012/6 *Goods and services tax: commercial residential premises*
- Goods and Services Tax Ruling GSTR 2012/7 *Goods and services tax: long-term accommodation in commercial residential premises*

Retirement villages

Meaning of retirement village

The term 'retirement village' may be used to describe accommodation:

- operated by charitable bodies, government, or commercial businesses
- consisting of different types of property, such as independent living units, serviced apartments, care facilities or a combination of these
- offering different occupancy arrangements (for example, lease-hold ownership, free-hold ownership)
- providing a range of facilities and services to residents.

When we discuss retirement villages and GST, we mean a retirement village that meets all the following:

- the property is residential property
- the accommodation is intended for people 55 years or older
- there are communal facilities for the residents to use.

Retirement villages don't include:

- property used, or intended to be used, to provide residential care (within the meaning of the *Aged Care Act 1997*) by an approved provider
- commercial residential property.

How GST applies

How GST is applied to supplies made by a retirement village operator depends on the type of living arrangement offered or who is operating it (for example, a charity or a commercial operator).

Leasing out an independent living unit

If you lease out an independent living unit to a resident of a retirement village, GST isn't included in the price. You can't claim GST credits.

If you charge residents ongoing maintenance fees as part of the lease, generally GST isn't included in the price. You can't claim GST credits. However, if the fee covers the maintenance and upkeep of the whole village (for example, including the commercial kitchen, hairdressing salon and medical suite) then a portion of the fee may be treated as consideration for a taxable or GST-free supply.

Selling an independent living unit

If you sell the free-hold title of an independent living unit for the first time since it was constructed, and it's not been used solely and continuously for leasing for at least five years, you are selling a new residential property. This means you are liable for GST and can claim GST credits on acquisitions relating to the sale. For example, if you are an operator and you sell a newly constructed unit to a resident, GST is included in the price and you can claim GST credits.

If it's a later sale of the unit (usually made by an existing resident to an incoming resident), GST isn't included in the price. You can't claim GST credits.

For more information about retirement village premises, see *GSTR 2007/1 Goods and services tax: when retirement village premises include communal facilities for use by residents of the premises*.

Serviced apartments

A serviced apartment in a retirement village is different to a serviced apartment providing short-term rental accommodation. It isn't a detached house, row or terrace house, town house or villa unit.

If you sell an apartment classed as a serviced apartment in a retirement village, GST isn't included in the price. You can claim GST credits when **all** of the following apply:

- It's designed to be occupied by aged residents who need either assistance in daily living activities or nursing services (irrespective of the needs of individual residents).


- At least one responsible person in reasonable proximity to the apartment is continuously on call to provide emergency assistance to the residents, such as first aid or arranging other mobility, nursing or medical assistance.
- It's 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's a communal dining facility in the retirement village for the residents to use.

Requirements to be GST-free

If you supply a serviced apartment in a retirement village by lease, hire, licence or freehold, GST isn't included in the price. You can claim GST credits if:

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

GST isn't included in the price, and you can claim GST credits for care services if they are:

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

Charitable retirement villages

If an endorsed charity operates a village that supplies accommodation, services related to the supply of accommodation, or meals to residents of the village, the supply is GST-free.

The charity is entitled to claim GST credits for any creditable purchases it makes relating to these supplies.

GST and mortgagees in possession

Find out when a mortgagee in possession is liable for GST on the sale of a property.

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You become a mortgagee in possession when you take possession of a mortgagor's property to exercise your power of sale under the mortgage.

You are liable to pay GST on the sale of the property if:

- you sell the property to pay off the mortgagor's debt, and
- the sale would have been subject to GST (a **taxable sale**) if the mortgagor had sold the property.

The mortgage securing the loan can be either registered or unregistered.

While there may be multiple mortgagees for the same property, they may not all become a mortgagee in possession. The sale contract for the property should state which mortgagee is the mortgagee in possession exercising the power of sale.

Determining if GST applies

As a mortgagee in possession, you need to determine if selling the property will result in a **taxable sale**, **input-taxed sale**, **GST-free sale** or other sale where [GST is not payable](#).

To determine if the sale would have been taxable had it been made by the mortgagor, you should consider:

- if the mortgagor is registered, or required to be registered for GST
- if the property is located in Australia
- if the mortgagor acquired and/or used the property as part of carrying on an enterprise
- the characteristics of the property and any premises situated on it (Is it vacant land, new or existing residential premises, commercial residential premises or commercial premises?)
- if the property is tenanted and is being sold as part of a going concern
- if a buyer intends to carry on a farming business on farmland and a farming business was carried out on the land for at least 5 years prior to sale.

GST at settlement

From 1 July 2018, the buyer of new residential premises or potential residential land that's a **taxable sale** is required to withhold the GST amount and pay it to us instead of to you as the mortgagee in possession.

Learn more about your **GST at settlement** obligations when selling new residential premises or potential residential land.

GST and the margin scheme

As mortgagee in possession, you can apply the **margin scheme** to calculate the GST payable if:

- you make a taxable sale of the property, **and**
- the mortgagor could have applied the margin scheme.

When GST is not payable

As a mortgagee in possession, you won't make a taxable sale or be liable to pay GST when the mortgagor gives you a written notice stating that the sale of the property wouldn't be a taxable sale, had they sold it. The notice must:

- state why the sale of the property wouldn't be subject to GST, and
- include documentation as evidence to substantiate the claim.

If you are unable to obtain a written notice from the mortgagor, you won't be required to pay GST when selling the property if you believe on a reasonable basis the sale isn't a taxable sale. This belief must be supported by information available to you.

Example: mortgagee in possession sells farmland that is GST-free based on written notice from mortgagor

MIP Farmer Bank takes possession of Sarita's farmland when Sarita encounters financial difficulties and defaults on her loan. Sarita purchased the farmland 7 years ago.

Craig, a fellow farmer and friend of Sarita, wants to purchase the farmland to expand his farming business. MIP Farmer Bank agrees to sell the farmland to Craig.

Sarita writes an email to MIP Farmer Bank, telling it that selling the farmland to Craig would be a GST-free sale if she sold it because:

- she has operated the farm for 7 years (being more than the minimum 5 years required under the GST exemption when selling farmland)
- Craig has advised he intends to carry on a farming business on the farmland.

Sarita attaches evidence to the email that substantiates both these points.

MIP Farmer Bank draws up a contract of sale that states:

- MIP Farmer Bank is exercising its power of sale under the registered mortgage, and
- the sale of the farmland is a GST-free supply.

MIP Farmer Bank isn't liable to pay GST on the sale of the farmland to Craig as Sarita's email meets the written notice requirements. Sarita isn't liable to pay GST on the sale as she hasn't made the sale.

Reporting and paying GST

If you are registered for GST

If you are registered, or required to be registered, for GST and you make a taxable sale when selling the property, you need to **report this sale** on your **business activity statement (BAS)** and pay any amount owing.

If the sale of the property is:

- subject to GST or GST-free, you can claim **GST credits** for expenses you incurred in making that sale, such as legal and conveyancing fees
- input-taxed, you are not entitled to claim credits for the GST included in the cost of expenses incurred in making the sale.

If you are not registered for GST

If you're not registered or required to be registered for GST and you make a taxable sale as mortgagee in possession, you must contact us for **tailored technical assistance** to report the sale and arrange to pay any GST on the sale. The amount you have to pay may be reduced if the purchaser has withheld an amount at settlement and paid it to us.

Include the following information in your letter:

- your name and address and ABN (if you have one)
- a statement that you sold a property as mortgagee in possession
- a statement that you are not registered for GST, and you are not required to be registered for GST
- details about the mortgagor, including their name and ABN (if they have one)
- details about the property sold, including the street address, title information, purchaser details and sale price
- the amount of GST payable on the supply.

You're not entitled to claim credits for GST included in expenses you incurred in selling the property if you're not registered for GST, even if the sale is subject to GST or GST-free.

How to get assistance

If you need further assistance to understand your GST obligations as a mortgagee in possession, you can contact us for **tailored technical assistance**.

If you would like tailored advice on whether your sale of the property would be subject to GST, you can **apply for a private ruling**.

To help us respond to your private ruling application in a timely manner, send as much information as possible about the mortgagor and the property being sold.

You should include:

- the name, address and ABN of the mortgagor (if they have one)
- details of the enterprise the mortgagor carries on (if any)
- details of the mortgagor's property (including title information, street address, description of the property, photographs and floor plans)
- information about the mortgagor's intended and actual use of the property
- the date the mortgagor purchased the property and a copy of the purchase contract
- a copy of the loan contract showing you as the lender and mortgagee
- the date you exercised your power of sale over the property and a copy of the sale contract.

We may not be able to rule on your matter if you can't provide us sufficient information on whether GST would apply if the mortgagor sold the property.

QC 70985

Valuation issues

What to do when you occur an issue with valuations and our position when these issues occur.

Last updated 30 May 2019

On this page

[Profit and risk ratios](#)

[Market interest rates](#)

[Project timeframes, such as lead times and selling timeframes](#)

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[Proper consideration of post-valuation date knowledge/events](#)

[Value of interest that existed at the valuation date](#)

We have identified a number of issues that occur with valuations and have explained our position when these issues occur.

- [Overview](#)
- [Profit and risk ratios](#)
- [Market interest rates](#)
- [Project timeframes, such as lead times and selling timeframes](#)
- [Exclusion of some development costs](#)
- [Contamination](#)
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- [Value of interest that existed at the valuation date](#)

We have issued a number of legislative determinations that are applicable to margin scheme valuations.

Valuations are required to be prepared by a professional valuer to determine the market value of the property at the valuation date. Valuers need to reflect the value of the subject property on an 'as is' basis as at the valuation date.

When looking at the application of the margin scheme, we often find valuations which have been used in calculating the GST payable. Often, when certain elements of a valuation are outside an acceptable range, the ultimate valuation is higher than it should be, resulting in a lower margin and less GST payable.

We accept valuations can be a subjective assessment of a property's value and there can be interpretive assessments of impacts on the property value. However, there is still an expectation that values will fall within a 'reasonable range'. This is regardless of the valuer who is valuing the property, or the method adopted.

If there is sufficient merit in the valuer's adopted assumptions and conclusions the valuation can be accepted as a complying valuation. However, where the valuer's assumptions and conclusions are not sustainable, based on evidence, or are not reasonable, the valuation cannot be considered a complying professional valuation.

We have identified a number of recurring issues and have provided our position on these issues.

See also

- GST and the margin scheme
- Market valuation for tax purposes
- Valuations for the margin scheme
- *MSV 2009/1 A New Tax System (Goods and Services Tax) Margin Scheme Valuation Requirements Determination*

Profit and risk ratios

When valuing a property on the basis of a hypothetical development approach, the anticipated profit and risk margins are determined after consideration of the level of risk associated with a project as at the date of valuation. In many cases, profit and risk ratios are not supported in the valuation report and appear to be well below what could reasonably be expected.

ATO position

Valuers need to determine profit and risk ratios that are reflective of the characteristics and condition of the subject property at the valuation date. These ratios need to reflect realistic profit expectations, with appropriate and reasonable weightings for risks apparent at the date the property is required to be valued.

Market interest rates

Valuations need to reflect an open market interest rate. The use of negotiated commercial rates, 'in-house' finance rates, or special discounted rates may not be appropriate because these rates are not reflective of open market rates, but instead specific to a particular entity or a set of circumstances.

ATO position

Valuers need to apply appropriate interest rates at the date the property is to be valued. These rates should reflect commercially available rates supported by evidence from within the industry at that point in time or, alternatively, based on the rates published by the Reserve Bank of Australia (RBA).

See also

- [Cash rate](#)  *Reserve Bank of Australia*

Project timeframes, such as lead times and selling timeframes

Valuations need to reflect reasonable allowances for commencement and completion dates, as well as selling timeframes and similar, because these factors will impact on holding costs, financing costs and overall project risk. In examining valuations, it has been found that in a number of cases, lead times, for example, were unrealistic given the size and the peculiar characteristics of the property development.

ATO position

Project lead times, selling timeframes and completion timeframes must reflect commercial, market and planning reality of a project.

Exclusion of some development costs

Many valuers undertaking hypothetical development valuations have completed these valuations with the exclusion of important development costs, such as acquisition costs, legal costs and holding costs.

ATO position

All relevant costs with appropriate weighting should be included in a hypothetical development valuation.

Contamination

Valuers often place a 'nil' cost for remediation of contamination on a site despite evidence and site history strongly suggesting that the site may have been contaminated. Some valuers argue valuation standards mandate in the absence of any quantified evidence they must assume nil contamination and assign nil value to this. This is on the condition that, if this assumption is shown to be incorrect they reserve the right to revalue the property.

ATO position

Assumptions of nil contamination are unreasonable where evidence indicates a probability the property interest being valued is likely to be contaminated. In these circumstances, contamination impacts should be addressed because this would be of material importance to a 'willing but prudent purchaser'.

The failure to reference this is likely to result in an inflated value. It is a requirement in a market valuation engagement to reflect the value of the subject property on an 'as is' basis as at the valuation date. If a property has been valued on the basis of 'nil contamination' when evidence suggests the site may be contaminated, a valuer can only provide a qualified assessment unless all relevant environmental and remediation documentation is provided.

A valuer may provide a qualified valuation excluding the impact of contamination and revise their valuation once the full extent of contamination is known. With GST margin scheme valuations, it is assumed that the application of the valuation for assessing the margin scheme does not occur until the supply of the end product. Prior to the commencement of the development, there would be a requirement to remediate a contaminated site to make it fit for the end development. At this point, full contamination reports and costs would be available. These should be provided to the valuer, who could reflect the full

impact of contamination in their revised valuation and provide an approved valuation for GST margin scheme purposes.

Assumptions and conclusions in conflict with evidence

Any conclusions by the valuer based on opinion, experience or unsubstantiated statements on risk, which are contrary to readily available information and evidence, will have an impact on how the property is valued.

ATO position

Valuation standards require all assumptions be reasonable and supportable, and valuer's opinions, no matter how experienced the valuer, cannot be sustained where these opinions can be refuted by direct evidence.

Comparable sales

Comparable sales are often unavailable at valuation date and pre- and post-valuation date sales are used as a reference point for a valuation. There are also instances where purported comparable sales from a geographically different area or different market segment to that of the subject property are referenced in a valuation. We often receive purported supporting sales data in property valuations without any explanation as to why the data is comparable.

ATO position

Comparable sales must withstand objective scrutiny of their comparability. If post- valuation date sales or remote-area sales are to be used, these must have commentary as to why the valuer considers it reasonable to use these sales to establish the subject property value.

Pre-sale values increased for market movements when calculating gross realisations

A gross realisation value is sometimes needed as a starting point for property valuations. Pre-sales, for example, commit the owner to a

sale at an agreed price, with ownership passing at a later date, generally when the development is completed. In determining a gross realisation value, where pre-sales exist as at the valuation date, valuers should use the pre-sale prices, rather than a value which takes into account market fluctuations.

ATO position

Pre-sales and off-the-plan sales will define the property value and deny any market appreciation, or devaluation, and impacts on the value of property between the contract date and the valuation date.

Proper consideration of post-valuation date knowledge/events

Relevant information regarding the site, on and after the valuation date, may not have been properly considered when valuing properties. Where post-valuation information exists that clarifies the state of the property as at the valuation date, then this information may be considered in the valuation because it is expected that a prudent purchaser would undertake appropriate investigation to limit their risk. Where post-valuation information changes the state of what existed as at the valuation date, then this information should not be used – for example, a development application has been lodged and approved.

Post-valuation date knowledge and events which can enhance values have especially been used without commentary or inclusions of relevant risk weightings, or other reasonable adjustments.

ATO position

Post-valuation date impacts can be considered – however, these need to be reasonable, with an expectation of evidence that these existed on valuation date. If due consideration is not given to relevant site information at or after valuation date, then the value may be overstated or understated by a considerable amount. Commentary needs to accompany the use of post-valuation date information to explain why it is reasonable to take that information into account.

Value of interest that existed at the valuation date

Many valuations reflect a value of the real property interest that is being sold, rather than the interest that existed at the valuation date (this could be an issue with the instructions being given).

ATO position

If the valuer is asked to value a real property interest that did not exist at the valuation date but was derived from another interest that existed at that date, the valuation must be made as follows:

- a valuation of the interest in existence at the valuation date must be made
- the valuation of that interest must be apportioned on a fair and reasonable basis, to ascertain the part of the valuation that relates to the interest that is being sold. All factors taken into account in the apportionment need to be explained to show why the apportionment is fair and reasonable.

QC 25319

GST at settlement

Check if you comply with the GST at settlement process when selling or buying new residential premises.

Last updated 19 December 2024

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If you are selling or buying new residential premises or potential residential land, you may need to pay GST at settlement. The way GST is paid for certain property transactions affects purchasers, suppliers and their representatives.

From 1 July 2018, at settlement most purchasers pay both:

- the withheld amount of GST direct to us
- the balance of the sale price of the property, minus the withholding amount, to the supplier.

This applies to both:

- [new residential premises](#)
- land that could be used to build new residential property – [potential residential land](#).

Watch

Media:Using a representative

<http://tv.ato.gov.au/ato-tv/media?v=bd1bdiunr9g59c>

Find out about

- [If you are selling property](#)
- [If you are purchasing property](#)
- [Withholding obligation](#)
- [Properties that are included and excluded](#)
- [GST at settlement process](#)
- [How to amend or cancel your forms](#)
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See also

- GST property settlement online forms and instructions
- GST at settlement – a guide for purchasers and their representatives
- GST at settlement – a guide for suppliers and their representatives

If you are selling property

If you're selling residential premises or potential residential land you must:

- notify the purchaser in writing (supplier notification)
- advise whether they need to pay a withholding amount from the contract price for the property or not
- state the withholding amount.

This can be included in the sales contract or in a separate document prior to settlement. Most states have updated their standard contracts to include this information.

If you have made a mistake on the notification, you must provide the purchaser with an amended one.

You may incur penalties if you fail to provide the required notice.

The purchaser pays the withholding amount directly to us at the time of settlement – instead of to you.

Reporting obligations

The standard elements of selling a property and reporting the GST on your sales apply.

On your business activity statement (BAS) you must report:

- all property sales at label **G1**
- GST on sales at label **1A** – see [Step 8 Supplier lodges business activity statement](#).

You receive a credit in your *GST property credits* account. This is the withheld amount paid by the purchaser. If there are multiple suppliers in the property transaction, it is your portion of the withheld amount.

This credit is transferred from the *GST property credits* account into your activity statement account when you lodge your activity statement for the relevant period.

If you're unsure of the correct GST treatment of the supply, we recommend you seek advice from us or your tax professional.

Conveyancers and real estate agents can assist purchasers to complete the forms. However, they can't provide GST advice unless they're registered tax or BAS agents.

For more information see **GST at settlement – a guide for suppliers and their representatives**.

Return to [GST at settlement](#).

If you are purchasing property

If you're purchasing a property, ensure you have a written notification advising whether or not you have a withholding obligation on the property.

Withholding obligation

If you have a withholding obligation, you must:

- have a written notification from the supplier stating if the sale is subject to GST
- lodge Form one: *GST property settlement withholding notification*
- lodge Form two: *GST property settlement date confirmation*
- pay the withheld amount to us (to the nearest dollar).

You don't need to register for GST just because you have a withholding obligation.

If you're unsure or need further advice about the information in the supplier's notification, ask us or your tax professional.

You may incur penalties if you fail to lodge the forms and make the payment to us.

We won't impose penalties when it's reasonable for you to rely on a notification from a supplier. However, if you know a supplier is registered for GST and they're selling new residential premises not

previously sold, it's unreasonable not to withhold and pay an amount to us at settlement.


Using a representative

If you authorise a representative to lodge the forms on your behalf, you're required to provide a signed declaration.

Note: Conveyancers can't provide GST advice unless they're a registered tax or BAS agent.

If you're acting as the representative for the purchaser, you must understand your obligations under the *Tax Agent Services Act 2009* (TASA).

See also

- GST at settlement – a guide for purchasers and their representatives
- GST property settlement online forms and instructions
- Property and registering for GST
- [Conveyancers and GST withholding for certain taxable supplies of property](#) 

Return to [GST at settlement](#).

Properties that are included and excluded

You need to determine if GST at settlement applies when selling or purchasing property.

Included property transactions

Withholding may apply if you purchase or sell:

- new residential premises
 - house and land
 - off-the-plan
 - display homes
 - new apartments

- potential residential land
 - property subdivision plan
 - land that could be used to build new residential premises.

Excluded property transactions

Some property transactions are excluded from the withholding obligation. Withholding doesn't apply to:

- new residential premises created through substantial renovations
- commercial residential premises (for example, hotels, boarding houses, caravan parks)
- commercial property
- residential premises that are no longer new because they were sold previously (or subject to a long-term lease) or have been continuously and solely rented for more than five years
- potential residential land supplied to a GST registered business that acquired it for a creditable purpose – for example, to develop the land, construct and sell new residential premises)
- potential residential land containing a building in use for commercial purposes – for example, a factory or shop operated where local zoning permits mixed use.

If you're selling a family home, you may also be excluded from the withholding obligation.

Find out about a [Registered entity acquiring land for a creditable purpose](#).

Return to [GST at settlement](#).

GST at settlement process

Watch our video for a quick overview about how the GST at settlement process works when buying or selling new residential property.

Watch:

Media:Included property transactions

<http://tv.ato.gov.au/ato-tv/media?v=bd1bdiunw5u8wb>

For contracts entered into from 1 July 2018, follow these steps:

- [Step 1: Supplier must notify purchaser](#)
- [Step 2: Purchaser or representative lodges Form one](#)
- [Step 3: Form one email confirmation](#)
- [Step 4: Purchaser or representative lodges Form two](#)
- [Step 5: Purchaser makes the payment](#)
- [Step 6: Payment email confirmation](#)
- [Step 7: Supplier credit and email confirmation](#)
- [Step 8: Supplier lodges business activity statement](#)

Step 1: Supplier must notify purchaser

The supplier is the entity required to report the property transaction to us on their activity statement.

When the contract between the supplier and purchaser is signed, the supplier must notify the purchaser in writing (supplier notification) before settlement of the property. This is whether or not they have a withholding obligation.

The notification can be included in the sales contract or in a separate document provided before settlement. All law societies (except for Northern Territory) have revised standard land contracts to include the notification.

If the purchaser doesn't have a withholding obligation, your notice must be clear that no withholding is required.

If the purchaser has a withholding obligation, your notice must include:

- the name and ABN of all suppliers
- GST branch number (if applicable)
- the amount they must withhold (round down to the nearest dollar)
- when they must pay it to us
- GST-inclusive contract price (plus the GST inclusive market value of non-monetary consideration).

For more information see [Supplier notification](#).

Step 2: Purchaser or representative lodges Form one

The purchaser is required to lodge Form one: *GST property settlement withholding notification* online to us once the contract has been entered into up until the due date for payment of the withholding amount.

The purchaser can authorise a representative to lodge one or both forms on their behalf by providing the representative with a signed declaration. The purchaser's representative can include either a conveyancer or solicitor.

The purchaser includes the information from the supplier's notice, their details and the expected settlement date. Some information may not be available until closer to settlement (for example, address information for off-the-plan sales).

When the form has been successfully lodged, an online confirmation screen will appear with a payment reference number (PRN) and lodgment reference number (LRN). You can print this page.

A separate payment advice PDF can be printed and kept for your records.

You need to keep the PRN and LRN numbers for when you

- lodge Form two: *GST property settlement date confirmation*
- make your payment.

For more information see [GST property settlement online forms and instructions](#).

Step 3: Form one email confirmation

If the purchaser elected to receive emails on Form one, an email is sent to confirm the form has been processed by us. This includes a summary of the key information and an attached payment advice pdf. The purchaser should keep a copy of this email.

It may take 24 to 48 hours before you receive the confirmation email.

Step 4: Purchaser or representative lodges Form two

The contract type determines when you need to lodge Form two: *GST property settlement date confirmation* and make the payment to us.

Standard land contract

Under a standard land contract, you must quote the LRN and PRN you received when Form one was lodged when you lodge Form two: *GST property settlement date confirmation*.

You must lodge Form two online either:

- within two business days before settlement
- on the day of settlement
- on the next business day after settlement.

The confirmation screen confirms the form was successfully lodged. This records the purchaser's withholding liability on their account on the settlement date. You can print the confirmation screen and keep it with your records.

For more information see [GST property settlement online forms and instructions](#).

Instalment contract

Under an instalment contract:

- the timing of the obligation to pay the withholding amount is different to a standard land contract.

- you pay the withholding amount on or before the date the first payment is made (other than a genuine deposit).
- you must quote the LRN and PRN received when Form one was lodged when you lodge Form two: *GST property settlement date confirmation*.

You must lodge Form two online either:

- within two business days before the first instalment
- on the day of the first instalment
- on the next business day after the first instalment.

The confirmation screen confirms the form has been successfully lodged. This records the purchaser's withholding liability on their account on the date the first instalment is made. You can print the confirmation screen and keep it with your records.

For more information see [GST property settlement online forms and instructions](#).

Step 5: Purchaser makes the payment

Once Form two: *GST property settlement date confirmation* is lodged, you must:

- pay the withholding amount (rounded down to the nearest dollar) when settlement occurs
- quote the PRN you received when Form one was lodged.

For more information see [How to pay the withholding amount](#).

Step 6: Payment email confirmation

If the purchaser elected to receive emails on Form two, we will send you an email when Form two and your payment have been processed.

It may take 24 to 48 hours before you receive the confirmation email.

Step 7: Supplier credit and email confirmation

The credit for the amount withheld is allocated to the supplier's **GST property credits** withholding account. If there are multiple suppliers in the property transaction, the credit is the equivalent proportion of the withheld amount.

The supplier (or agent) receives an email confirmation to the email address on the supplier's activity statement account. This includes identifiers for the property transaction and confirms we received the credit.

A supplier can view their **GST property credits** account online through either:

- Online services for individuals and sole traders (you will need a myGov account linked to the ATO)
- Online services for business
- Online services for agents

See also

- GST at settlement – a guide for suppliers and their representatives

Step 8: Supplier lodges business activity statement

The supplier must report on their activity statement:

- all property sales at label **G1**
- the GST on sales at label **1A**.

The property sale must be reported in the reporting period that settlement occurred. For example, if the property settled on 5 December, report the property transaction in the December activity statement.

Note: Only report the GST on the sale at label 1A, **not** the withholding amount paid by the purchaser.

The withholding amount paid by the purchaser is allocated as a credit to the supplier's *GST property credits* account.

The credit on the supplier's *GST property credits* account is transferred into the supplier's activity statement account when they lodge the relevant activity statement.

It may take up to two business days before the credit is transferred from the GST property credits account into the activity statement account.

See also

- GST at settlement – a guide for suppliers and their representatives

- Completing your BAS for GST

Examples of withholding at settlement

Example 1: Withholding at settlement – new residential premises

BuildCo has developed an apartment block and is making taxable sales of new residential premises.

On 14 September 2018, Kath enters into a contract to purchase a new apartment from BuildCo. The contract price is \$900,000 and she pays a 10% deposit of \$90,000. The sales contract states the **margin scheme** doesn't apply and includes the supplier's notification to the purchaser that there's a withholding obligation of \$81,818 (1/11th of \$900,000).

Kath authorises her conveyancer to lodge Form one and Form two on her behalf by providing a signed declaration.

Kath's conveyancer uses the information from the seller's notification to complete Form one: *GST property settlement withholding notification* online and gets a PRN and LRN from the confirmation screen.

Settlement occurs on 25 November 2018. At settlement, Kath's conveyancer:

- lodges Form two: *GST property settlement date confirmation* using the PRN and LRN when Form one was lodged
- pays the balance of the apartment contract price to BuildCo of \$728,182 (\$900,000 less \$90,000 deposit less \$81,818 withholding amount)
- pays the withheld amount of \$81,818 to us electronically using the PRN obtained when Form one was lodged.

BuildCo lodges their activity statement (no other taxable supplies were made) for the December quarter reporting:

- the full sale price of \$900,000 at **label G1**
- the GST payable of \$81,818 at **label 1A**.

When the activity statement is processed, BuildCo receives a credit of \$81,818 representing the amount withheld and remitted by Kath.

Example 2: Withholding at settlement – potential residential land

On 10 September 2018, Land Co purchases a vacant block of land with the intention of subdividing it into two lots. The block is zoned to allow residential use and doesn't have any buildings.

Land Co registers the plan of subdivision and makes taxable supplies of both lots of vacant land.

On 25 September Land Co enters into a contract to sell one of the lots to Nick for \$770,000. Nick pays a 10% deposit of \$77,000 with the balance due at settlement. As the sale isn't using the margin scheme and Nick isn't carrying on an enterprise, Nick has a withholding obligation of \$70,000 (1/11th of \$770,000).

Land Co includes its withholding notification to the purchaser in the contract. Nick provides his solicitor with a signed declaration authorising them to lodge the withholding forms on his behalf. The information from the contract enables Nick's solicitor to complete Form one: *GST property settlement withholding notification* online and get a PRN and LRN from the confirmation screen.

Settlement occurs on 21 November 2018. At settlement, Nick's solicitor:

- lodges Form two: *GST property settlement date confirmation* using the PRN and LRN from Form one
- pays the balance of the contract price to Land Co of \$623,000 (\$770,000 less \$77,000 deposit less \$70,000 withholding amount)
- pays the withheld amount (quoting the PRN from Form one) of \$70,000 to us using BPAY®.

Land Co lodges their activity statement for the December quarter and reports

- the full sale price of \$770,000 at **label G1**
- the GST payable of \$70,000 at **label 1A**.

When processed, Land Co receives a \$70,000 credit for the amount withheld and remitted by Nick.

See also

- GST at settlement – a guide for suppliers and their representatives
- Completing your BAS for GST

Return to [GST at settlement](#).

How to amend or cancel your forms

All parties should view Form one: *GST property settlement withholding notification* before settlement to ensure there are no changes required to the form.

If changes are identified or if the contract doesn't settle, refer to How to amend or cancel your forms.

Return to [GST at settlement](#).

How to submit a missing credit or transfer request

If a credit isn't showing on the *GST property credit* account within two weeks after settlement, you may need to submit a missing credit request.

If the credit hasn't transferred from the *GST property credit* account into the activity statement account or the credit has been allocated to an incorrect supplier, you may need to submit a transfer request.

See also

- How to submit a missing credit or transfer request
- GST at settlement – a guide for suppliers and their representatives

Return to [GST at settlement](#).

How to apply for a refund

If you're a **supplier** you can apply for a refund if your purchaser has paid us an amount they withheld in error.

If you're a **purchaser** you can apply for a refund if you made a payment to us in error – for example, made the same payment twice.

To request a refund, provide us with the following:

- details identifying the purchaser and contact details
- lodgment reference number (LRN) of the Form one: *GST property settlement withholding notification*
- payment reference number (PRN)
- details identifying the supplier, including ABN and contact details
- details identifying the authorised person lodging the form and contact details.

Provide supporting documentation as evidence the requested refund amount was withheld from the supplier and paid to us in error (for example, a sales contract showing contract price, the settlement statement and receipts).

For suppliers, the refund request must be in writing and lodged a minimum of 14 days before you must pay GST on the supply (in your activity statement).

Completed refund requests and supporting documents should be sent to:

Australian Taxation Office
Locked Bag 1127
ALBURY NSW 2640

Return to [GST at settlement](#).

Margin scheme

The margin scheme enables GST to be calculated on a concessional basis. Rules depend on when a property was first purchased.

You can only apply the margin scheme if the sale of a property is taxable.

Generally, the GST is based on the difference between:

- the price the you paid for the property when you first purchased it, and
- the subsequent sale price of the property.

There must be a written agreement to say the sale of the property is using the margin scheme before the settlement date.

If you purchase a property where the margin scheme is applied to the sale, you can't claim a GST credit for the GST included in the price.

If you charged the full rate of GST when purchasing a property as part of your business, generally you can claim the GST back. However, you can't apply the margin scheme on subsequent sales.

Example: How the margin scheme works

John is registered for GST and purchases a property for \$500,000 in January 2018 from a seller not registered for GST.

He builds a house on the property for \$365,000 and holds tax invoices for all the costs. He is entitled to claim GST credits of \$33,181 (1/11th of \$365,000).

John sells the house to Peter for \$900,000 in September 2018. The margin is calculated at $\$900,000 - \$500,000 = \$400,000$. The GST under the margin scheme is $(1 \div 11) \times \$400,000 = \$36,363$.

Note: Under GST at settlement rules, Peter has an obligation to withhold and pay the GST.

As Peter is purchasing a property subject to the margin scheme, he withholds and pays 7% of the contract price (\$63,000).

John still has to report the sale of the property on his September activity statement, including the GST of \$36,363. The withheld credit is offset against this amount, and John receives a refund of \$26,637.

John's purchase and GST payable

Supplier	Purchaser
Land purchased for \$500,000	n/a
House built \$365,000	n/a
GST credits claimed \$33,181 (1/11th of \$365,000)	n/a
New property sold \$900,000	\$900,000
Margin is calculated at \$900,000 – \$500,000 = \$400,000	Margin 7%
Lodge activity statement <ul style="list-style-type: none"> Label G1 (Total sales) \$400,000 Label 1A (GST on sales) \$36,363 ((1 ÷ 11) × \$400,000) 	n/a
GST refund \$26,637 (\$63,000 – \$36,363)	At settlement – withholding payment \$63,000

See also

- Eligibility to use the margin scheme
- Methods to calculate the margin

Rebates and adjustments

Rebates are a type of discount, or a reduction in price that's not a normal settlement adjustment. Examples include variations to the finish of an apartment that applies before completion and discounts following a building report that are negotiated and applied before completion.

These types of adjustments are included when calculating the GST withholding amount.

When an adjustment or rebate is applied before settlement, the contract price should be reduced and the GST withholding amount calculated on the adjusted price.

Example – Rebates and adjustments

On 7 April 2020, Rachel entered into a contract to purchase a block of land from Bigtime Property Developers Pty Ltd for \$275,000 with a rebate of \$2,000. Rachel pays a 10% deposit of \$27,500.

Bigtime Property Developers Pty Ltd (supplier) notifies Rachel that she must withhold \$24,818 and pay it to the ATO at settlement. This is 1/11th of the reduced purchase price \$273,000.

Rachael must complete and lodge the two GST at settlement online forms to the ATO.

At settlement, on 2 June 2020, Rachael withholds and pays \$24,818 to the ATO and pay Bigtime Property Developers Pty Ltd the balance of the contract price \$220,682.

This means that:

- $\$275,000 - \$2,000 \text{ rebate} = \$273,000 \text{ total land price}$
- $\$273,000 \div 11\% = \$24,818$ is the withholding amount paid to the ATO at settlement
- $\$273,000 - \$27,500 \text{ deposit} - \$24,818 \text{ GST} = \$220,682$
remainder of sale price is paid to the supplier at settlement.

See also

- LCR 2018/4 *Purchaser's obligation to pay an amount for GST on taxable supplies of certain real property*

Multiple supplies in one contract

There are contracts that include multiple supplies (for example, new residential premises and commercial premises) of different kinds. This

is where each supply hasn't been allocated a portion of the total contract price.

In this situation, suppliers need to determine a reasonable apportionment of the contract price that applies to the withholding obligation.

If it's not practical to apportion the price, the withholding amount should be based on the total price for the supply.

See also

- [Long term leases](#)
- If acquisitions are for a creditable purpose

Return to [GST at settlement](#).

Compliance and penalties

If you made a mistake or forgot to include information on a form or lodge one, contact us and we will help you fix that issue.

For more information see [GST property settlement online forms and instructions](#).

Reporting non-compliance

If you're concerned someone is doing the wrong thing, you can tell us about it confidentially.

Your information gets to the right area if you mention some key words, such as:

- GST at settlement
- sale of property
- Form one
- Form two.

For more information see [Report fraud, phoenix, tax evasion, shadow economy activity, or unpaid super](#).

Data matching

We regularly receive data from state and territory land title offices and revenue agencies with details that include sales and transfers of real

property.

See also

- Sale of property
- Data matching

Penalties

Penalties may apply for suppliers or purchasers:

- [Supplier penalties](#)
- [Purchaser penalties](#)

Supplier penalties

A supplier who fails to provide a supplier notification to a purchaser may incur one of the following penalty types:

- **Strict liability offence** – 100 penalty units, which may be prosecuted before the court
- **Administrative penalty** – 100 penalty units (not applied if the strict liability offence is prosecuted).

Penalties won't apply if you:

- reasonably believed you weren't required to meet the notice requirements
- made an honest and reasonable mistake about how the notice requirements apply to a particular supply.

Purchaser penalties

There are two types of penalties for purchasers:

- If a purchaser fails to withhold or pay an amount required, the administrative penalty is equal to the amount the purchaser was required to pay. Exceptions to this include when
 - there's been reasonable reliance on the supplier's notice
 - the purchaser has given the supplier a bank cheque payable to the Commissioner of Taxation for the withholding amount.

- If a purchaser fails to notify us they must withhold (that is, they haven't lodged the two online forms)
 - *Failure to lodge administrative penalty* – one **penalty unit** for each 28-day period (up to a maximum of five penalty units)
 - higher penalty units may be applied to entities based on turnover.

For more information see **Penalties**.

Return to [GST at settlement](#).

Transitional arrangements ended 30 June 2020

The GST at settlement transitional arrangements ended 30 June 2020.

From 1 July 2020 contracts entered into before 1 July 2018 for new residential premises or potential residential land may be subject to the withholding obligations under GST at settlement.

When lodging Form one for a property with a contract entered into before 1 July 2018 and settlement is after 30 June 2020, complete the form either through:

- our website – with a **contract date** of **1 July 2018** to allow the form to be lodged.
- Property Exchange Australia (PEXA) – enter the **actual** contract date.

Example: End of transition period

On 11 May 2018, Rachael enters into a contract to purchase a new home unit from developer Watson Home Co for a contract price of \$650,000. Rachael pays a 10% deposit of \$65,000.

As the supplier of the property, Watson Home Co must notify Rachael that she has to withhold \$59,090 (1/11th of \$650,000) and pay it to the ATO at settlement.

Rachael completes and lodges the two online forms to the ATO. Even though she entered into the contract earlier, she enters 1 July 2018 on Form one to allow it to be lodged via our website.

(If she was using the PEXA website, she would enter the actual contract date of 11 May 2018.)

Rachael's property is finished and the settlement date is 2 July 2020.

At settlement on 2 July 2020, Rachael withholds and pays:

- \$59,090 to us – the withholding amount
- \$525,910 to Watson Home Co – the balance of the contract price.

The GST at settlement process doesn't apply to contracts entered into before 1 July 2018. This is where any payment or consideration for the supply (other than a deposit) is provided before 1 July 2020 (that is, settlement is before 1 July 2020).

See also

- LCR 2018/4 *Purchaser's obligation to pay an amount for GST on taxable supplies of certain real property*

Return to [GST at settlement](#).

Foreign resident capital gain withholding and GST at settlement

If you're selling residential premises or potential residential land in Australia it can be subject to both:

- foreign resident capital gain withholding (FRCGW)
- GST withholding obligation (GST at settlement).

There is no precedence between FRCGW and GST at settlement. Both apply and hold no priority over each other.

A clearance certificate for FRCGW is only applicable to that measure. GST at settlement is still payable. They are treated independently of each other.

For more information see [Paying the foreign resident capital gains withholding](#).


Return to [GST at settlement](#).

History

The withholding obligation was announced in the May 2017 Federal Budget. The measure was introduced to ensure that payment of GST is not avoided by 'phoenixing' activity in the property sector involving property developers and vendors.

Phoenixing activity involves the use of insolvency to avoid the payment of debts, including taxes. 'Phoenixing' in the property development industry has grown significantly in recent years.

Paying GST at settlement will help prevent non-compliance by property suppliers who sell properties for a price that includes the GST and avoid remitting the GST to us. They may avoid tax by liquidating their businesses and restarting their business again under a different entity before their next activity statement lodgment.

Following Treasury consultation with key property industry and tax professional stakeholders, the new measure was introduced to Parliament into Schedule 1 of the *Taxation Administration Act 1953* by Schedule 5 of [Treasury Laws Amendment \(2018 Measures No. 1\) Bill 2018](#) . The bill received royal assent on 29 March 2018.

Return to [GST at settlement](#).

Terms we use

Residential premises

At its simplest, residential premises are premises containing basic living facilities that are fit for human occupation as residential accommodation.

The sale or [long term lease](#) of residential premises is input taxed, except for two specific classifications of residential premises

- new residential premises – for example, houses, apartments and villas
- commercial residential premises – for example, hotels, motels and hostels.

If residential premises are **input taxed** it means that you don't charge GST if you sell it, and you can't claim back GST if you buy it, even if registered for GST.

For more information see [GST and residential property](#).

New residential premises

New residential premises are residential premises where any of the following apply to the premises:

- they have not previously been sold (or subject to a long-term lease) as residential premises
- they have been created through substantial renovations (but note new residential premises of this kind are excluded from the withholding obligation)
- they are new buildings which have been built to replace demolished buildings on the same land.

Note: Residential premises cease to be new residential premises if they have been used solely for renting for a period of at least five years since they were constructed.

For more information see [Property and registering for GST](#).

Potential residential land

Potential residential land is land that it is permissible to be used for residential purposes but does not contain any buildings that are residential premises – for example, houses and strata units.

It also includes land where local government zoning may permit a mixture of residential and commercial use.

Supplier

The supplier may or may not be the vendor under the contract or the registered proprietor on the certificate of title. The supplier is the entity liable for the GST on the property transaction.

Purchaser

The purchaser is the entity that has purchased the property.

If the property is sold, the purchaser is the entity that is buying the property. If the supply is a long-term lease, the purchaser is the entity that is leasing the property.

Tenants in common

If you are purchasing as tenants in common, each purchaser should be treated as a separate recipient. The withholding amount for each purchaser should be based on their portion of ownership. On the death or dissolution of an owner, the interest in the property does not automatically pass to the remaining owners. The total of the interests in the property must add up to 100%.

Joint tenants

With joint tenants, each owner has an undivided 100% interest in the property and if an owner dies or corporate owner dissolves, the interest in the property passes to the remaining joint tenants.

If you are purchasing as joint tenants, you will be jointly responsible for the total withholding amount.

Purchaser's or supplier's representative

Depending on which state or territory the property is located in, the purchaser's or supplier's representative for the conveyancing process can include either a:

- licenced conveyancer
- solicitor.

Note: Some jurisdictions may allow do-it-yourself (DIY) conveyancing.

Contract price

In most cases, the contract price is the GST-inclusive price of the supply as listed in the contract.

The contract price is normally used for calculating the amount a purchaser needs to withhold from the supplier and remit to us.

The contract price may be varied by the parties before completion.

Normal settlement day adjustments can be disregarded (for example, payments made for apportionment of council rates and water rates).

Note: If the contract includes non-monetary consideration, see [price of the supply](#) for calculating the withholding amount.

Price of the supply

The price of the supply is **usually** the contract price but in certain circumstances the price of the supply may also include non-monetary consideration (for example, land swaps).

If that is the case, the amount to be withheld by the purchaser needs to be calculated using the total consideration for the supply, and not just the monetary amount listed as the contract price.

There are special rules for calculating the withholding amount where the contract is between associates and the contract price is less than the GST inclusive market value of the property.

Withholding amount

The amount a purchaser must withhold and pay to us (rounded down to the nearest dollar) is generally either:

- 1/11th of the contract price (for taxable supplies)
- 7% of the contract price (for **margin scheme** supplies)
- 10% of the GST exclusive market value of the supply for supplies between associates (for consideration less than GST-inclusive market value).

Note: If the contract includes non-monetary consideration, see [price of the supply](#) for calculating the withholding amount.

Long term leases

Long term lease means a supply by way of lease, hire, or licence (including a renewal or extension of a lease, hire or licence) for at least 50 years if:

- at the time of the lease, hire or licence, or the renewal or extension of the lease, hire or licence, it was reasonable to expect that it would continue for at least 50 years
- the terms of the lease, hire or licence, or the renewal or extension of the lease, hire or licence, as they apply to the **recipient** are substantially the same as those under which the supplier held the premises. This is unless the supplier is an Australian Government agency.

Property subdivision plan

A property subdivision plan means a plan for the division of real property that has been registered under an Australian law with the relevant state or territory land titles office. Examples include:

- strata plans
- community plans
- subdivision plans.


We consider that where the physical description of a parcel of land is changed and identified in a registered deposited plan, that parcel of land is 'included in a property sub-division plan'. The purpose the deposited plan was registered is not relevant (for example, if it is a consolidation or amalgamation or a division).

Registered entity acquiring land for a creditable purpose

A GST registered entity who acquires land for a creditable purpose is not subject to a withholding obligation.

An entity will acquire property for a creditable purpose if they are registered for GST and they acquire it, to any extent, in carrying on an enterprise and the acquisition is not related to making **input-taxed** supplies or of a private or domestic nature.

Note, a purchaser under the margin scheme may acquire property for a creditable purpose although it isn't a creditable acquisition.

You can check whether an entity is registered for GST by searching [ABN Lookup](#)  on the Australian Business Register. You can rely on a copy of the search on a relevant date.

You can rely on either written correspondence from an entity, or a statement in the relevant contract, as to whether the entity is acquiring the land for a creditable purpose.

Taxable supply

A supply will be a taxable supply if you are registered (or required to be registered) for GST and the supply is:

- made for consideration
- made in the course or furtherance of an enterprise you carry on

- not a GST-free or input taxed supply – for example, a supply made as
 - part of a GST-free supply of a going concern
 - a supply of GST-free farmland.

For more information see [GST definitions – sales \(supplies\)](#).

Return to [GST at settlement](#).

Resources

Law companion rulings

- Law companion ruling LCR 2018/4 *Purchaser's obligation to pay an amount for GST on taxable supplies of certain real property* describes how we apply the law.

Legislation

- [Treasury Laws Amendment \(2018 Measures No. 1\) Bill 2018](#) 

Webinars

Watch:

- [Webinar – An update about GST at settlement](#) 
- [Webinar – GST at settlement – Overview](#) 
- [Webinar – How to get GST at settlement right](#) 
- [Webinar – GST at settlement – Cutting through the complexities](#) 

Online forms and information

The following information is available to help you meet your obligations:

- GST property settlement online forms and instructions
- How to pay the withholding amount
- GST at settlement – a guide for purchasers and their representatives

- GST at settlement – a guide for suppliers and their representatives
- GST and property
- GST and the margin scheme

Return to [GST at settlement](#).

QC 55431

GST at settlement – a guide for suppliers and their representatives

What you must do when supplying new residential premises or potential residential land to receive GST property credits.

Last updated 5 July 2021

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[Supplier credit and email confirmation](#)

[What to report on your activity statement](#)

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[How to apply for a refund](#)

[How to submit a missing credit or transfer request](#)

[Compliance and penalties](#)

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Suppliers of new residential premises or potential residential land have certain tax obligations to receive their GST property credits. Suppliers

must notify purchasers in writing as to whether or not they have a withholding obligation when they sell either:

- residential premises
- land that could be used to build new residential property (**potential residential land**) to a purchaser who is not a GST registered entity acquiring the land for a creditable purpose.

You must also determine if you are running an enterprise. Even a one-off property sale could mean you have a GST obligation.

See also:

- GST at settlement
- GST at settlement process
- Transitional arrangements end 30 June 2020
- Terms we use

Determine if you are running an enterprise

A supply of new residential premises or potential residential land in Australia is a taxable supply if you're registered or required to be registered for GST, and the supply is:

- made for consideration
- made in the course or furtherance of an enterprise you carry on
- not a GST-free or input taxed supply – for example, a supply made as part of a GST-free supply of a going concern or a supply of GST-free farmland.

If you're registered or required to be registered for GST and the supply is part of your business, GST at settlement may apply.

Generally, you aren't carrying on an enterprise if your property transactions are for private purposes, such as constructing or selling your family home.

Examples of an enterprise

Examples of activities that may be regarded as an enterprise include when you:

- buy property with the intention of immediate resale at a profit

- develop property to sell.

Even a one-off property transaction may be an enterprise.

You must register for GST:

- when your business or enterprise has a GST turnover (gross income minus GST) of \$75,000 or more (or \$150,000 for non-profit organisations)
- when you start a new business and expect your turnover to reach the GST threshold (or more) in the first year of operation
- if you're already in business and have reached the GST threshold.

Example 1: What is an enterprise?

Steve and Kate learn that the local council recently changed its by-laws to allow for smaller lots in the area.

They decide to take advantage of this and purchase a block of land with the intention to subdivide it into two and sell them at a profit. They carry out their plan and sell both lots of land at a profit.

This is an enterprise.

Example 2: What isn't an enterprise?

Astrid and Bruno live on a large suburban block.

The council changes its by-laws to allow for smaller lots in their area. They decide to subdivide their land so their daughter Greta can build a house to live in next-door.

The council approves the subdivision and the title is transferred to Greta. She pays for all associated costs of the subdivision and her new house.


This isn't considered an enterprise and GST at settlement doesn't apply.

Generally, you're not carrying on an enterprise if your property transactions are for private purposes, such as constructing or selling your family home.

Selling the family home

If you aren't carrying on an enterprise and not registered for GST (or required to be registered), you won't be making a taxable supply when you sell your family home.

See also:

- Property and registering for GST
- GST property decision tool
- Registering for GST
- [Applying for an ABN](#) 

Supplier notification

You must notify the purchaser in writing before settlement of whether or not they have a withholding obligation – this is called a 'supplier notification'.

You have a notification obligation if you supply a long-term lease or sell:

- residential premises
- land that could be used to build new residential property (**potential residential land**) to a purchaser who isn't a GST registered entity acquiring the land for a creditable purpose.

If the contract allows a purchaser to be substituted for another entity, or the supply is made to a nominee, you may provide the notice to the entity listed on the transfer documents.

The notification can be included in the sales contract or in a separate document before settlement. All law societies (except Northern Territory) have revised their standard land contracts to include the notification.

Note: If you fail to provide a written notice, penalties may apply.

For more information see **Properties that are included and excluded**.

What to include in a supplier notification

If your purchaser:

- doesn't have a withholding obligation – your notice must make it clear that 'no withholding is required'
- has a withholding obligation – your notice **must** include
 - the name and Australian business number (ABN) of all suppliers
 - GST branch number (if applicable)
 - the amount they must withhold (rounded down to the nearest dollar)
 - when they must pay it to us
 - GST-inclusive contract price (plus the GST inclusive market value of non-monetary consideration).

If you don't supply the correct information, it may cause delays in the GST property credits being allocated into your *GST property credit* account.

Find out about:

- [Name and ABN of all suppliers](#)
- [Calculating the withholding amount](#)
- [When the withholding is due](#)
- [Information in the supplier notification changes](#)


Name and ABN of all suppliers

The **supplier** is the entity required to report the property transaction on their business activity statement (BAS) – that is the entity liable for the GST.

If there are multiple suppliers and they're all required to report the on their activity statement, the name and ABN of each supplier must be provided to the purchaser.

If you are:

- part of a partnership – include the partnership name and ABN

- a member of a GST group – one member of the group (the representative member) completes the activity statement and accounts for GST on behalf of the whole group
 - provide the name and ABN of the representative member to the purchaser
 - check if the ABN is registered for GST on [ABN Lookup](#)  to ensure the credit is allocated correctly.

Calculating the withholding amount

The amount provided should be a whole dollar amount. Round cents down to the nearest dollar.

Withholding amount

The amount a purchaser must withhold and pay to us (rounded down to the nearest dollar) is generally either:

- 1/11th of the contract price (for fully taxable supplies)
- 7% of the contract price (for **margin scheme** supplies)
- 10% of the GST exclusive market value of the supply (for supplies between associates for consideration less than GST-inclusive market value).

The contract price may be varied by the parties before settlement. Normal settlement day adjustments can be disregarded (for example, adjustments to reflect apportionment of council rates or water rates).

If the contract includes non-monetary consideration (for example, land swaps) the amount to be withheld needs to be calculated as a portion of the total monetary consideration (including GST) **plus** the GST inclusive market value of the non-monetary consideration.

This is defined in GST law as the 'price for the supply'.

When the withholding is due

The purchaser must make the withholding payment (rounded down to the nearest dollar) to us by the due date:

- under a standard land contract – the day of settlement
- under an instalment contract – the day the first instalment is paid.

If, your supply is to an associate for no consideration, your associate must pay the withholding amount on the day on you make the supply.

Information in the supplier notification changes

If the required information changes before or after settlement, you must provide a new notice to the purchaser. The purchaser needs to contact us to organise the forms to be amended or cancelled.

If the credit in the *GST property credit* account has been allocated to an incorrect supplier, submit a transfer request.

See [How to submit a missing credit or transfer request](#).

See also:

- How to amend or cancel your forms
- Property and registering for GST
- Change in use of your property

Supplier credit and email confirmation

The credit for the amount withheld is allocated to your *GST property credit* withholding account. If there are multiple suppliers, the credit is the equivalent proportion of the withheld amount.

Viewing GST property credits

Once the purchaser has paid the withholding amount, it's credited to your *GST property credit* account. We send an email confirmation to the email address on your activity statement account. The email includes identifiers for the property transaction and confirms the credit has been received.

You can view the *GST property credit* account in:

- ATO online services for individuals and sole traders
- Online services for agents
- Online services for business.

To view the GST property credits account select:

- **Activity statements** in the menu

- **GST property credits** hyperlink on the **Activity statement list** screen.

Check the credits available before you lodge your activity statement.

If a credit isn't showing two weeks after settlement or you identify the credit has been allocated to the incorrect entity, you should contact us.

Find out [How to submit a missing credit or transfer request](#).

What to report on your activity statement

The GST liability on the taxable supply remains with you. There are no changes to what you report on your activity statement.

Reporting

Report the taxable supply together with:

- any other supplies
- acquisitions
- GST liabilities
- GST input tax credits.

Completing your activity statement

You are liable for the GST of the property transaction in the period that settlement occurred. You need to report:

- **label G1 Total sales** – all property sales
- **label 1A GST on sales** – the actual GST on sales and account for the margin scheme if applicable
- **label 1B GST on purchases** – the total amount of GST credits (including any adjustments) the supplier is eligible to claim.

Don't report the GST property credit on your activity statement.

After lodging your activity statement, a credit for the withholding amount is transferred from the *GST property credit* account into your activity statement account and can be applied against the net amount.

We will refund surplus credits from the activity statement account to you, subject to normal GST refund processes.

If you make an error on your activity statement, including incorrectly reporting or omitting property sale information, you must amend it to avoid penalties.

For more information see [Completing your BAS for GST](#).

Margin scheme

The margin scheme enables GST to be calculated on a concessional basis. The rules depend on when a property was first purchased.

Only apply the margin scheme if the sale of a property is taxable and ensure it's written in the contract.

Generally, the GST is based on the difference between:

- the price the you paid for the property when you first purchased it
- the subsequent sale price of the property.

See also:

- [GST at settlement](#)
- [Eligibility to use the margin scheme](#)
- [Methods to calculate the margin](#)

Purchaser hands you the cheque for the withholding amount

Rather than pay the withholding amount to us directly, a purchaser may agree to give you a bank cheque to give to us, made out to the Commissioner of Taxation.

This means you're acting as the purchaser's agent. They must provide you with a GST withholding payment slip and payment reference number (PRN).

The purchaser won't be discharged from their withholding obligation until you give us the cheque, although they will be protected from penalties.

When you make the payment to us, ensure you use the GST withholding payment slip and PRN.

If you don't supply these, it may cause delays in the GST property credits being allocated into your *GST property credit* account.

For more information see [How to pay the withholding amount](#).

Example 3: Payment by bank cheque at settlement

On 15 September 2018, James enters into a contract with ABC Company Pty Ltd (ABC) to purchase new residential premises. ABC notifies James that a withholding obligation applies to the supply.

James completes Form one: *GST property settlement withholding notification* online and receives a payment reference number (PRN) and lodgment reference number (LRN).

Settlement occurs on 25 November 2018. James lodges Form two: *GST property settlement date confirmation* using his LRN and PRN from Form one.

At settlement, instead of paying the withholding amount directly to us, James gives ABC a bank cheque made out to the Commissioner of Taxation together with a payment slip including his PRN.

ABC mails the cheque and payment slip to us and we process it.

James is discharged from his withholding obligation when we receive and process his cheque.

James receives an email to say his withholding payment has been received.

ABC gets an email to say a credit has been allocated to their *GST property credit* account. ABC views this on the Online services for business *GST property credit* account.

ABC lodges their activity statement. A credit for the withholding amount is transferred to their activity statement account. If the credit is greater than the net amount for the period, ABC receives a refund of the difference (subject to our normal refund processes).

Purchaser's requirement to lodge Forms one and two

You can ask your purchaser to provide you with evidence they have lodged the forms (for example, a copy of the form lodged or a copy of the email from us).

You can choose to make this a contractual requirement.

You should view these details before settlement occurs to ensure changes aren't required. If changes are needed, provide the purchaser with a new notification.

Penalties can be applied against the purchaser if they fail to notify us they are required to withhold (that is, by not lodging the two online forms).

For more information see **Compliance and penalties**.

How to apply for a refund

If a purchaser withheld an amount in error and paid it to us, you may be able to seek a refund.

The amount that may be refunded is the amount that was withheld in error, which may be all or part of the amount paid by your purchaser.

How to submit a missing credit or transfer request

If a credit isn't showing on the *GST property credit* account after two weeks of settlement, check the following before contacting us:

- the purchaser has lodged the two online forms and made payment to us
- the correct supplier details were entered on Form one.

If the supplier details are correct and the purchaser has met their obligations, submit a [missing credit request](#).

If the credit hasn't transferred from the *GST property credit* account into the integrated client account, check the following before contacting us:


- you submitted the activity statement for the relevant period. The property sale must be reported in the reporting period that settlement occurred
- if you submitted your activity statement within the last 24 to 48 hours. The transfer of credits can take up to 48 hours.

If you submitted your activity statement and it's been more than 48 hours and the credit hasn't transferred from the *GST property credit* account into your integrated client account, lodge a [transfer request](#).

If the credits were allocated to an incorrect supplier, submit a [transfer request](#).

Submit a missing credit request

You can submit your request via:


- [Online services for business](#) 
 - using **Secure mail**, complete the following
 - select **New message**
 - select **View more topics** under Topic
 - select **GST** under Other topics
 - select **GST at settlement** under Subject
 - complete the required details
 - tick the declaration and send to us.
- Online services for agents
 - Using the **Mail** option, complete the following
 - select **New message**
 - select **GST** under Subject
 - select **GST at settlement** under Topic
 - complete the remaining fields and send to us.

- All mail messages should
 - provide the reason of your enquiry
 - provide the following details for each missing credit
 - supplier name the credit should be allocated to
 - supplier ABN the credit should be allocated to
 - the purchaser name (or names)
 - the credit amount
 - lodgment reference number (LRN) or payment reference number (PRN)
 - property details
 - settlement details
 - attach any supporting documentation.

Alternatively, phone us on **13 28 66** Fast Key Code **3 4**.

Submit a transfer request

You can submit your transfer request via:

- [Online services for business](#) 
 - Using **Secure mail**, complete the following
 - select **New message**
 - Select **View more topics** under Topic
 - Select **GST** under Other topics
 - Select **GST at settlement** under Subject
 - complete the required details
 - tick the declaration and send to us.
- Online services for agents

Using the **Mail** option, complete the following

- select **New message**
- select **GST** under Subject
- select **GST at settlement** under Topic
- complete the remaining fields and send to us.

All mail messages should:

- provide the reason of your enquiry
- provide the following details for each missing credit
 - supplier name and ABN the credit is currently allocated to
 - supplier name and ABN the credit should be allocated to
 - what BAS period the credit relates too
 - branch number (if applicable)
 - the purchaser name or names)
 - the credit amount
 - lodgment reference number (LRN) or payment reference number (PRN)
 - property details
 - settlement details
- attach any supporting documentation.

Alternatively, phone us on **13 28 66** Fast Key Code **3 4**.

Compliance and penalties

There are penalties for failing to provide a supplier notification to a purchaser.

For more information see **GST at settlement – Compliance and penalties**.

Resources

Law companion ruling

Law companion ruling LCR 2018/4 *Purchaser's obligation to pay an amount for GST on taxable supplies of certain real property* describes how we apply the law.

Legislation

Treasury Laws Amendment (2018 Measures No. 1) Bill 2018

Webinars

Watch:

- [Webinar – GST at settlement – Overview](#) 
- [Webinar – How to get GST right at settlement](#) 
- [Webinar – GST at settlement – Cutting through the complexities](#) 
- [Webinar – An update about GST at settlement](#) 

Online forms and information

The following information is available to help you meet your obligations:

- GST at settlement
- GST at settlement process
- GST property settlement online forms and instructions
- GST at settlement – a guide for purchasers and their representatives
- GST and property
- GST and residential property
- GST and the margin scheme
- GST definitions

QC 56252

GST at settlement – a guide for purchasers and their

representatives

Buyers of new residential premises or potential residential land must withhold an amount and pay it to the ATO.

Last updated 5 July 2021

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You may have a withholding obligation if you purchase or enter into a long-term lease of either:

- new residential premises
- land that could be used to build new residential property (potential residential land).

The withholding obligation means that when settlement occurs, the purchaser pays both:

- the withheld amount of GST direct to the ATO
- the balance of the sale price of the property, minus the withholding amount, to the supplier.

Your supplier must provide you with information to assist you to comply with your withholding obligation. They generally do this via their representative when selling the property.

You can incur penalties if you fail to pay the required withholding amount to us.

GST at settlement started on 1 July 2018. Transitional arrangements apply to contracts entered into before this date.

See also:

- [GST at settlement](#)
- [GST at settlement process](#)
- [GST property settlement online forms and instructions](#)
- [GST at settlement – a guide for suppliers and their representatives](#)
- [Terms we use](#)
- [Transitional arrangements end 30 June 2020](#)

Determine if you have a withholding obligation

Suppliers need to provide you with written notification (supplier notification) advising if you have a withholding obligation or not. Suppliers can incorporate the notice into the contract for sale or provide it to you as a separate notice.

You **don't** need to register for GST because of a withholding obligation.

Transitional arrangements apply to contracts entered into before 1 July 2018.

For more information see [Properties that are included and excluded](#).

Supplier notification

The notice from your supplier should include:

- the name and ABN of all suppliers
- GST branch number (if applicable)
- the amount you must pay to us (rounded down to the nearest dollar)
- the date you must pay the withholding amount to us
- GST-inclusive contract price (plus the GST inclusive market value of non-monetary consideration).

When to get a supplier notification

The supplier must provide the notice on or before the time they make the supply.

The supplier notification can be included in the sales contract or in a separate document provided before settlement. All law societies (except Northern Territory) have revised their standard land contracts to include the notification.

Multiple suppliers

If you're purchasing a property from more than one supplier, your suppliers should notify you of **each** supplier's share of the withholding amount.

If they don't notify you of amounts for each share of the withholding amount, you may allocate them equal shares.

Relying on a supplier notification

You don't need to make further inquiries about the GST registration status of a supplier when both:

- a supplier advises that a sale isn't subject to GST (that is, the supplier isn't registered or required to be registered for GST)
- you have taken reasonable steps to ensure you don't need to withhold.

We won't retrospectively penalise you when you have acted reasonably and it's later found that a supplier hasn't met their notification obligations correctly.

Reasonable steps

We consider 'reasonable steps' include the following:

- Review the sale contract and supplier notification to ensure they advise whether you're required to withhold or not.
- In reviewing the sale contract and withholding notification, ensure it contains the [necessary information](#) – if the notification isn't clear, seek clarification from the supplier.
- You don't need to search for further information, even if the notification states you're not required to pay a withholding amount, but you must consider **all** information to do with the sale.

- Once you have considered this information, determine whether you need to withhold or not.
- If you have taken **reasonable steps** and made a decision to rely on the supplier notification not to withhold, but you still have some concern about the supplier, you can **report your concerns** about them to us.

We won't impose penalties when you rely on supplier notification and you have taken **reasonable steps** to determine the notification is correct at the time.

If your supplier hasn't advised you about an error on the notification on or before settlement, you can rely on the original notification.

It is **unreasonable** not to withhold and pay an amount to us if you know a supplier is registered for GST and selling new residential premises not previously sold.

Information in the supplier notification changes

If the required information changes after your supplier provides the notice, they must provide you with a new notice.

This could include when a supplier discovers they should be registered for GST or for changes to the contract price due to a variation or discount that applies before settlement.

For more information see [How to amend or cancel your forms](#).

Margin scheme

If you purchase a property and the margin scheme is applied to the sale, you can't claim a GST credit for the GST included in the price.

If you were charged the full rate of GST when you purchased a property as part of your business, generally you can claim the GST back. However, you can't apply the margin scheme on a subsequent sale.

See also:

- [GST at settlement](#)
- [Properties that are included and excluded](#)
- [Property contract considerations](#)

- GST and the margin scheme

Complete and lodge Form one

Lodge Form one

When you have a withholding obligation, you must complete Form one: *GST property settlement withholding notification* online.

Form one is used to advise us of a property transaction for the supply of new residential premises or potential residential land where there is a withholding obligation, you:

- need the information on the supplier notification to complete Form one
- can complete and lodge Form one any time after the contract has been entered into, either
 - up until the due date for payment of the withholding amount (usually settlement date)
 - the date the first instalment is paid, for instalment contracts (other than a deposit).

Purchasers can authorise a representative to lodge the forms on their behalf by giving them a signed declaration.

Administrative penalties apply if you fail to notify us there was a requirement to withhold (not lodging the online forms).

See also:

- Who completes and lodges the forms
- How to complete Form one
- Compliance and penalties

Keep Form one confirmation of lodgment

An online confirmation screen will be displayed once Form one is lodged.

The confirmation screen shows you successfully lodged your form. It shows the:

- lodgment reference number (LRN)
- payment reference number (PRN)
- expected settlement date
- total withholding payment.

A downloadable payment slip with barcode and copy of the form is available.

You can print both from the confirmation screen.

The confirmation email:

- issues automatically to the email address you or your representative provided to us (if any)
- provides a unique lodgment reference number (LRN) and payment reference number (PRN) and a downloadable payment slip
- may take 24 to 48 hours to be received.

You must keep the confirmation details for when it's time to lodge Form two.

The LRN is required to lodge Form two and the PRN is used to make your payment.

See also:

- How to complete Form one
- GST property settlement online forms and instructions

Complete and lodge Form two

You must complete Form two: *GST property settlement date confirmation* online to confirm the settlement date with the confirmation details received when you lodged Form one.

Complete and lodge Form two for:

- **a standard land contract**, either
 - within two business days before settlement
 - on the day of settlement
 - on the next business day after settlement.

- **an instalment contract**, either
 - within two business days before the first instalment
 - on the day of the first instalment
 - on the next business day after the first instalment.

Purchasers can authorise a representative to lodge the forms on their behalf by giving them a signed declaration.

Administrative penalties apply if you fail to notify us there was a requirement to withhold (that is, by not lodging the online forms).

See also:

- How to complete Form two
- Who completes and lodges these forms
- GST property settlement online forms and instructions
- Compliance and penalties

Paying the withholding amount

Your supplier should notify you of the withholding amount by issuing the required notice (rounded down to the nearest dollar).

When settlement occurs, you pay both:

- the withheld amount of GST direct to us
- the balance of the sale price of the property, minus the withholding amount, to the supplier.

The amount you must withhold and pay to us is generally either:

- 1/11th of the contract price (for fully taxable supplies)
- 7% of the contract price (for margin scheme supplies)
- 10% of the GST-exclusive market value of the supply (for supplies between associates for consideration less than GST inclusive market value).

If the contract includes non-monetary consideration (for example, land swaps) the withholding amount is calculated as a proportion of the monetary consideration (including GST), **plus** the GST inclusive market value of the non-monetary consideration. This is the 'price for the supply' in GST law.

Administrative penalties apply if you fail to pay the withholding amount to us and general interest charges (GIC) may also apply.

See also:

- How to pay the withholding amount
- Compliance and penalties

Once we have received payment

Once we have received and processed your payment, we send an email to the email address listed on Form two: *GST property settlement date confirmation*. It may take 24 to 48 hours to receive this.

Payment of the withholding amount to us discharges you from your contractual obligation to pay your supplier the withholding amount as part of the consideration for the supply.

Ensure you keep your proof of payment.

For more information see **After payment has been made**.

Incorrect amount paid at settlement

Underpayment

If you underpaid the withholding amount, you must pay the balance of the amount to us as soon as you find the error.

Use the PRN received when you lodged Form one to do this.

A general interest charge (GIC) may apply to amounts that are paid late.

Overpayment

If you overpaid the withholding amount you or your supplier may be entitled to a refund.

In exceptional cases a purchaser may be entitled to the refund rather than the supplier. For example, if the overpayment relates to a non-taxable supply and the supplier has already received all they were entitled to under the contract.

Find out about [How to apply for a refund](#).

Handing a cheque to the supplier

Rather than pay the withholding amount to us directly you may agree to give the supplier a bank cheque. This means your supplier is acting as your agent.

You must provide your supplier with:

- your GST withholding payment slip and payment reference number (PRN)
- a cheque made out to the Commissioner of Taxation for the withholding amount (rounded down to the nearest dollar).

You won't be discharged from your withholding obligation until your supplier has given us the cheque, although you will be protected from penalties. The purchaser is liable for the payment of the withholding amount to us. If a bank cheque is provided to the supplier at settlement you must confirm this amount has been paid to us.

If you provided an email address on Form two, we send you a confirmation email once you have made your payment. If you don't receive this email within two weeks, contact the supplier to ensure they have sent the cheque to us.

General interest charges (GIC) may apply for any amounts received late.

Example: Payment by bank cheque at settlement

On 15 September 2018, James enters into a contract with ABC Company Pty Ltd (ABC) to purchase new residential premises. ABC notifies James that a withholding obligation applies to the supply.

James completes Form one: *GST property settlement withholding notification* online and receives a payment reference

number (PRN) and lodgment reference number (LRN).

Settlement occurs on 25 November 2018. James lodges Form two: *GST property settlement date confirmation* using his LRN from Form one.

At settlement, instead of paying the withholding amount directly to us, James gives ABC a bank cheque made out to the Commissioner of Taxation together with a payment slip including his PRN.

ABC mails the cheque and payment slip to us and we process it.

James is discharged from his withholding obligation when we receive and process his cheque.

James receives an email to say his withholding payment has been received.

ABC gets an email to say a credit has been allocated to their *GST property credit* account. ABC views this on the Online services for business *GST property credit* account.

ABC lodges their activity statement. A credit for the withholding amount is transferred to their activity statement account. If the credit is greater than the net amount for the period, ABC receives a refund of the difference (subject to our normal refund processes).

See also:

- Compliance and penalties
- How to pay the withholding amount

How to amend or cancel your forms

Both the supplier and purchaser should view the details lodged in Form one: *GST property settlement withholding notification* before settlement to ensure there are no changes required to the form.

If changes are identified or if the contract doesn't settle, see [How to amend or cancel your forms](#).

How to apply for a refund

You can apply for a refund when payment to us has been made in error – for example, you made the same payment twice.

For more information see [How to apply for a refund](#).

Compliance and penalties

Administrative penalties will apply if you:

- fail to pay the withholding amount to us
- failed to notify us about a requirement to withhold (that is you, by not lodging the online forms).

General interest charges (GIC) may also apply.

For more information see [Compliance and penalties](#).

Resources

Law companion rulings

Law companion ruling LCR 2018/4 *Purchaser's obligation to pay an amount for GST on taxable supplies of certain real property* describes how we apply the law.

Legislation

- [Treasury Laws Amendment \(2018 Measures No. 1\) Bill 2018](#) 

Webinars

- [Webinar – GST at settlement – Overview](#) 
- [Webinar – How to get GST at settlement right](#) 
- [Webinar – GST at settlement – Cutting through the complexities](#) 
- [Webinar – An update about GST at settlement](#) 

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QC 56253

Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

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