



## GST and the margin scheme

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

**Last updated** 19 August 2021

The margin scheme is a way of working out the GST you must pay when you sell property as part of your business. The margin scheme is subject to eligibility.

Use the [GST property decision tool](#) to check your eligibility and help with calculating the GST

### See also:

- [GST and property](#)
- [GST at settlement – Margin scheme](#)

### Eligibility to use the margin scheme

Determine if you are eligible to use the margin scheme to work out how much GST you must pay.

### Written agreement to use margin scheme

What the written agreement must include and how to apply for an extension of time to obtain the agreement in writing.

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Calculate the margin with the valuation or consideration method,

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How to calculate the GST payable on a property sale.

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## **Record keeping**



What records to keep and how long to keep them.

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## **Purchasing property using the margin scheme**



You can't claim a GST credit when buying property where the margin scheme was used.

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# Eligibility to use the margin scheme

Determine if you are eligible to use the margin scheme to work out how much GST you must pay.

**Last updated** 19 August 2021

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If you sell property as part of your business and you're registered for GST, you may use the margin scheme to work out how much GST you must pay.

If you use the margin scheme the parties must have a written agreement to use the margin scheme **before** settlement. For GST purposes, the settlement date is the date you purchase the property. Most contracts have a tick box stating if the sale is subject to the margin scheme.

**Watch:**

Media:Purchased as part of a going concern

<http://tv.ato.gov.au/ato-tv/media?v=bd1bdiudfqg1g5>

## When you can't use the margin scheme

You **can't** use the margin scheme:

- if you purchased the property as fully taxable and the margin scheme wasn't used
- if you weren't registered or required to be registered for GST at the time of your sale
- for sales on or after 17 March 2005, if you
  - purchased the property as fully taxable and the margin scheme wasn't used
  - inherited the property from a person who wasn't eligible to use the margin scheme
  - obtained the property from a fellow member of a GST group who wasn't eligible and they purchased it from an entity that wasn't a member of the GST group
  - were a participant in a GST joint venture and obtained the property from the joint venture operator who purchased the property through an ineligible sale.
- if you're selling property originally purchased, or entered into a contract to purchase, on or after 9 December 2008 and the
  - entity you bought the property from wasn't eligible

- property was purchased as part of a going concern
- property was purchased as GST-free farmland
- property was purchased from an associate for no consideration (no payment).

If you're not sure about your eligibility, you can [apply for a private ruling](#).

## Determining the seller's eligibility

Generally, if the previous owner of the property wasn't eligible to use the margin scheme, you won't be able to use it. For example, if you want to use the margin scheme when selling property purchased as part of a going concern, you need to know if the previous owner was eligible to use the margin scheme.

### **Example: Eligibility for the margin scheme based on previous owner's eligibility**

Steve sells a commercial property to Gemma as a fully taxable sale. Gemma isn't eligible to apply the margin scheme to a subsequent sale.

On 30 March 2020, Gemma sells the property to Linda as part of a going concern. Linda can't apply the margin scheme because Gemma was ineligible.

If the sale from Gemma to Linda had occurred before the 2008 amendments, Linda would have been eligible to use the margin scheme.

### **Find out about:**

- [Purchased as part of a going concern](#)
- [Purchased as GST-free farmland](#)
- [Sale between associates without payment](#)
- [Selling amalgamated land](#)

## Purchased as part of a going concern

You can't use the margin scheme to sell a property if **all** of the following applies:

- You purchased the property from the previous owner as part of a going concern (a business).
- The previous owner was registered or required to be registered for GST at the time you purchased the property.
- The previous owner purchased the entire property through a fully taxable sale (a business transaction) and GST was worked out without using the margin scheme.

### **Example: Property purchased as part of a going concern where the subsequent sale is ineligible for the margin scheme**

In June 2019, Sam, a GST-registered entity, sells the business as a going concern (business) sale that includes property to Daniel.

Sam purchased the entire property through a fully taxable sale from Hugo and the GST was worked out without using the margin scheme.

Sometime later, Daniel seeks to sell the property. Daniel needs to work out if Sam was eligible to use the margin scheme before he can use it:

- Daniel purchased the property from Sam as part of a sale of a going concern that was GST-free
- Sam was registered for GST at the time of Daniel's purchase
- Sam purchased the entire property as a fully taxable sale and GST was worked out without using the margin scheme.

As Sam was ineligible to use the margin scheme, Daniel is also ineligible to use it.

## Purchased as GST-free farmland

You can't use the margin scheme to sell a property if **all** of the following applies:

- You purchased the property from the previous owner as GST-free farmland.
- The previous owner was registered or required to be registered for GST at the time of your purchase of the property.
- The previous owner purchased the entire property through a fully taxable sale and GST was worked out without using the margin scheme.

#### **Example: Property purchased as GST-free farmland where the subsequent sale will be ineligible for the margin scheme**

In August 2009, Peter makes a GST-free sale of farmland to Spiro. Peter purchased the farmland through a fully taxable sale made by Jane and GST was worked out without using the margin scheme.

Sometime later, Spiro seeks to sell the property.

In working out if he can use the margin scheme, Spiro bought the property from Peter and all the following applied:

- Peter sold the property to Spiro as GST-free farmland.
- Peter was registered for GST at the time of the purchase.
- Peter purchased the property through a fully taxable sale and GST was worked out without using the margin scheme.

As Peter was ineligible to use the margin scheme, Spiro is also ineligible to use it.

## **Sale between associates without payment**

You can't use the margin scheme to sell a property if **all** of the following apply:

- You purchased the property from an associate who was registered or required to be registered for GST at the time of your purchase.
- The purchase of the property from your associate was without payment.
- The sale of the property to you by your associate was not a taxable sale.

- Your associate made the sale of the property to you in the course or furtherance of a business that your associate carried on.
- Your associate had purchased the entire property through a fully taxable sale and GST was worked out without using the margin scheme.

The purchase of the property from your associate does not have to be a sale for this condition to apply.

**Example: Property purchased from an associate without any payment where the subsequent sale will be ineligible for the margin scheme**

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In October 2019, TowerConcepts, a GST-registered entity, supplies property to its associate Breton Builders for no payment as part of a business it carries on.

The sale isn't taxable because Breton Builders is registered for GST and acquires the property solely for business use.

TowerConcepts purchased the entire property through a fully taxable sale made by Eddy Construction and GST was worked out without using the margin scheme.

Sometime later, Breton Builders wants to sell the property and checks if they're eligible to use the margin scheme:

- Breton Builders acquired the property from an associate, TowerConcepts that was registered for GST at the time they supplied the property.
- The sale of the property was without payment.
- The sale from TowerConcepts to Breton Builders wasn't taxable.
- TowerConcepts made the sale in the course of a business they carried on.
- TowerConcepts purchased the entire property as a taxable sale and GST was worked out without using the margin scheme.



As TowerConcepts was ineligible to use the margin scheme, Breton Builders is also ineligible to use the margin scheme.

## Selling amalgamated land

The margin scheme can't be used if the entire property sale is ineligible for the margin scheme.

You may be able to use the margin scheme if part of the property purchased is eligible for the margin scheme. If you apply the margin scheme in these circumstances, you need to make an adjustment.

### Example 1: Applying the margin scheme to amalgamated land

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Chris amalgamates property she purchased partly through a supply that was:

- ineligible for the margin scheme (the supply from Julieanne to Chris)
- partly through a supply that was eligible for the margin scheme (the supply from Matt to Chris).

Chris can use the margin scheme on her sale as she didn't acquire the entire property through a sale that was ineligible for the margin scheme. However, Chris must make an adjustment.

### Example 2: Selling land you have amalgamated

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Julieanne amalgamates property she purchased partly through a taxable sale where GST was worked out without using the margin scheme (supply from Loretta to Julieanne) and partly under the margin scheme (supply from Matt to Julieanne).

Julieanne sells the property to Chris as part of a GST-free sale of a going concern.

Chris can apply the margin scheme, as Julieanne didn't acquire the **entire** property through a taxable sale. Chris must make an adjustment.

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## Written agreement to use margin scheme

What the written agreement must include and how to apply for an extension of time to obtain the agreement in writing.

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## Must be a written agreement for sales on or after 29 June 2005

There must be a written agreement to use the margin scheme before settlement for sales on or after 29 June 2005.

There is no set format for a written agreement. An agreement must:

- be signed by both seller and purchaser
- clearly identify the property being sold.

The agreement could be included in the sales contract.

If you don't have a written agreement when the sale was made, you may ask us for permission to extend the time to obtain the agreement in writing. We don't have discretion to apply the margin scheme where parties don't agree that it applies.

**See also:**

- [PS LA 2005/15](#) *The Commissioner's discretion to extend the time in which the agreement in writing must be made to apply the margin scheme under Division 75 of the A New Tax System (Goods and Services Tax) Act 1999*

## Sales before 29 June 2005

You don't need a written agreement between the seller and purchaser if the sale was made either:

- before 29 June 2005
- on or after 29 June 2005 but you entered into a contract or granted rights or options over the property you are selling before 29 June 2005.

For sales made or entered into before 29 June 2005, if you didn't apply the margin scheme when the sale was made, you may ask to account for GST on the sale as if the margin scheme applied.

You must show that:

- you didn't choose to apply the margin scheme at settlement because of a mistake
- you satisfy all other requirements under the margin scheme
- the purchaser hasn't claimed a GST credit or a decreasing adjustment for the purchase
- you and the purchaser didn't agree on a price that included GST
- you aren't making the agreement to avoid paying GST.

**See also:**

- [PS LA 2005/2 \(GA\)](#) *GST and time of choice to apply the margin scheme*

## Request for permission

To request an extension of time, or to apply the margin scheme to sales before 29 June 2005, write to us at

**Australian Taxation Office**  
**PO Box 3524**  
**ALBURY NSW 2640**

We will respond to let you know whether or not we agree to allow your request.

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## Methods to calculate the margin

Calculate the margin with the valuation or consideration method, depending on purchase date.

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**Watch:**

## Method depends on purchase date

When selling property using the margin scheme that you originally purchased or held an interest in:

- **after 1 July 2000** – you must use the [Consideration method](#)
- **before 1 July 2000** – you can use either the [Valuation method](#) or the [Consideration method](#).

## Valuation method

Use the valuation method to work out the margin if you originally purchased your property before 1 July 2000. You can **only** use the valuation method if you hold an approved valuation.

Using the valuation method, the margin is the difference between the selling price and the value of the property (usually as at 1 July 2000).

### Example: Using the valuation method

Spalding Homes is a GST-registered property developer that bought land in 1989 for \$30,000.

In September 2018 they entered a sales contract to sell the land for \$1.44 million. The contract stated the margin scheme would be used to work out the GST on the sale. Settlement occurred on 2 December 2018.

In November 2018, prior to settlement, Spalding Homes got a professional valuation of the land (as at 1 July 2000) of \$1 million.

Using the valuation method, Spalding Homes calculated the margin as \$440,000. This is the selling price minus the value of the land provided in the professional valuation (\$1,440,000 – \$1,000,000).

They report the sale on their activity statement in the period the sale occurred:

- **G1** Total sales: \$440,000
- **1A** GST on sales: \$40,000 (one eleventh of \$440,000).

Because Spalding Homes chose to apply the margin scheme, the purchaser can't claim a GST credit for GST in the price of the property.

#### Next steps:

- [Valuations](#)
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## Consideration method

You can use the consideration method to calculate the GST payable under the margin scheme regardless of when you purchased the property you're selling.

Using the consideration method:

- the margin is the difference between the property's selling price and the original purchase price, which is sale price minus purchase price equals the margin
- the sale price must include any settlement adjustments in the sales contract
- **don't include** any of the following as part of the purchase price

- costs for developing the property
- legal fees
- any options you purchased
- stamp duty
- any other related purchase expenses.

### **Example: Using the consideration method for property purchased on or after 1 July 2000**

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CarterBuild is a GST registered builder. On 1 December 2019, CarterBuild purchased a block of land for \$150,000 from a vendor who wasn't registered for GST.

CarterBuild paid \$550 in conveyancing fees and \$27,000 in stamp duty on the purchase of the land.

CarterBuild constructs a house on the land and sells the house and land for \$515,000. CarterBuild uses the margin scheme to work out the GST on the sale.

The margin for the sale of the house and land package is \$365,000, for example, the sale price of the property minus the purchase price of the property ( $\$515,000 - \$150,000$ ).

The GST CarterBuild must pay on the margin for the sale is \$33,181 ( $\$365,000 \times 1 \div 11$ ). CarterBuild has a tax invoice for conveyancing fees and claims a GST credit of \$50 ( $\$550 \times 1 \div 11$ ) in the tax period the purchase applies.

CarterBuild also has tax invoices for \$220,000 of business purchases made when building the house. CarterBuild can claim \$20,000 in GST credits for these purchases.

CarterBuild isn't entitled to any GST credits on the stamp duty as GST isn't included in the cost.

They report the sale on their activity statement in the period the sale occurred:

- **G1** Total sales: \$365,000

- **1A** GST on sales: \$33,181.

### **Example: Using the consideration method for property purchased before 1 July 2000**

Jamie is registered for GST and reports GST quarterly.

On 15 June 2019, Jamie purchased vacant land for \$220,000 as part of her business. In May 2020, Jamie contracted to sell the land for \$330,000 and specified she would apply the margin scheme.

The margin for the sale of the land is \$110,000; the sale price of the property minus the purchase price (\$330,000 – \$220,000). The GST Jamie must pay on the margin for the sale is \$10,000 ( $\$110,000 \times 1 \div 11$ ).

She reports the sale on her activity statement in the period the sale occurred:

- **G1** Total sales: \$110,000
- **1A** GST on sales: \$10,000.

Because Jamie chose to apply the margin scheme, the purchaser can't claim a GST credit.

## **Rulings**

You may find the following rulings useful:

- [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?*
- [GSTR 2006/7](#) *Goods and services tax: how the margin scheme applies to a supply of real property made on or after 1 December 2005 that was acquired or held before 1 July 2000*
- [GSTR 2006/8](#) *Goods and services tax: the margin scheme for supplies of real property acquired on or after 1 July 2000*



- [GSTR 2000/21](#) *Goods and services tax: the margin scheme for supplies of real property held prior to 1 July 2000*

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## Calculating the GST payable

How to calculate the GST payable on a property sale.

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The amount of GST normally paid on a property sale is equal to one eleventh of the total sale price.

When using the margin scheme, the amount of GST on a property sale is equal to one eleventh of the margin. Use the [GST property decision tool](#) to help you with your calculations.

## Calculating the margin

The margin is generally the difference between the sale price and either the:

- amount you paid for the property if you are using the consideration method
- value of the property provided in an approved valuation of the property if you are using the valuation method.

### **Example: Using the consideration method for property purchased on or after 1 July 2000**

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John is a GST registered builder. On 1 December 2020, they purchased land for \$500,000 from a vendor who wasn't registered for GST.

Later, they construct a house on the land and sell the house and land for \$900,000. John chooses to use the margin scheme to work out the GST on the sale.

The margin for the sale of the house and land package is \$400,000:

$$\text{Sale price } \$900,000 - \$500,000 = \$400,000.$$

John pays GST at one eleventh of the margin (\$36,363):

$$\$400,000 \times 1 \div 11 = \$36,363.$$

They have tax invoices they can claim in the tax periods the purchases apply for:

- conveyancing fees
- purchases made when building the house.

They report the sale on their activity statement in the period the sale occurred:

- **G1** Total sales: \$400,000
- **1A** GST on sales: \$36,363.

John isn't entitled to GST credits on the stamp duty as GST isn't included in the cost.

### **Example: Calculating the margin**

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Diane is registered for GST. On 25 September 2017, she buys vacant land for \$500,000 from Robert, who isn't registered for GST.

Diane improves the property with roads and other services and sells it to Robert for \$720,000 on 2 October 2018.

The margin is  $\$720,000 - \$500,000 = \$220,000$ .

Diane must pay one eleventh of the margin as GST, which is \$20,000.

She reports the sale on her activity statement in the period the sale occurred:

- **G1** Total sales: \$220,000
- **1A** GST on sales: \$20,000.

**See also:**

- [GSTR 2000/21](#) *Goods and services tax: the margin scheme for supplies of real property held prior to 1 July 2000*

## If the 2005 amendments apply

The margin scheme is calculated differently for certain groups when affected by the 2005 amendments.

### How to calculate the margin

Affected groups	When all of the following applies ...	How to calculate the margin
<b>(A) GST groups</b>	<p>You purchased the property when both you and the previous owner were members of the same GST group.</p> <p>The previous owner purchased the property from an entity that wasn't a member of the GST group on or after 1 July 2000.</p> <p>The previous owner was, or subsequently</p>	<p>The margin is the amount by which the sale price that exceeds either the:</p> <ul style="list-style-type: none"><li>• payment paid by the previous owner when they purchased the property (if the previous owner and the entity that sold them the property weren't associates at that time)</li><li>• property's GST-inclusive market</li></ul>

	<p>became, a member of the GST group.</p>	<p>value when the previous owner purchased it (if the entity and the previous owner were associates at that time).</p>
<p><b>(B) GST groups</b></p>	<p>You purchased the property when both you and the previous owner were members of the same GST group.</p> <p>The previous owner purchased the property before 1 July 2000.</p>	<p>The margin is the amount by which the sale price that exceeds the property value as provided in an approved valuation as at 1 July 2000.</p>
<p><b>(C) GST joint ventures</b></p>	<p>You purchased the property when you were part of a GST joint venture and the previous owner was the joint venture operator.</p> <p>You purchased the property for the joint venture to use or sell.</p> <p>The previous owner purchased the property on or after 1 July 2000.</p>	<p>The margin is the amount by which the sale price that exceeds either the:</p> <ul style="list-style-type: none"> <li>• payment paid by the previous owner for their purchase, if the previous owner and the entity that sold the property were not associates at the time of the earlier supply</li> <li>• GST-inclusive market value of the property at the time the previous owner purchased the property, if the two entities were associates at that time.</li> </ul>

<p><b>(D) GST joint ventures</b></p>	<p>You purchased the property when you were part of a GST joint venture and the previous owner of the property was the joint venture operator of the GST joint venture.</p> <p>You purchased the property for the joint venture to use or sell.</p> <p>The previous owner purchased the property before 1 July 2000.</p>	<p>The margin is the amount by which the sale price that exceeds an approved valuation of the property as at 1 July 2000.</p>
<p><b>(E) Inherited property</b></p>	<p>You inherited the property and none of the sections in A to D apply.</p> <p>The person you inherited the property from acquired it before 1 July 2000.</p>	<p>The margin is the amount by which the sale price that exceeds one of the following:</p> <ul style="list-style-type: none"> <li>• if you know the purchase price the deceased paid, you can use that amount to work out the margin</li> <li>• if immediately before inheriting the property, the deceased wasn't registered or required to be registered for GST – you must hold an approved valuation of the property at (whichever is the latest)</li> </ul>

		<ul style="list-style-type: none"> <li>– 1 July 2000</li> <li>– the day you inherited the property</li> <li>– the first day you registered or were required to be registered for GST</li> </ul> <ul style="list-style-type: none"> <li>• if immediately before inheriting the property, the deceased was registered or required to be registered for GST – you must hold an approved valuation (at whichever is the latest) <ul style="list-style-type: none"> <li>– 1 July 2000</li> <li>– the first day the deceased registered or was required to be registered for GST.</li> </ul> </li> </ul>
<p><b>(F) Inherited property</b></p>	<p>You inherited the property and none of sections A to D apply.</p> <p>The person you inherited the property from purchased the property on or after 1 July 2000.</p>	<p>The margin is the amount by which the sale price that exceeds one of the following:</p> <ul style="list-style-type: none"> <li>• the purchase price the deceased paid</li> <li>• an approved valuation of the property the day the deceased purchased it.</li> </ul>

<p><b>(G) Associates Can include purchases by a GST branch, a non-profit sub- entity or a government entity</b></p>	<p>You purchased the property from an entity who was your associate at the time.</p> <p>None of the other sections above apply.</p>	<p>The margin is the amount by which the sale price that exceeds either:</p> <ul style="list-style-type: none"> <li>• an approved valuation at 1 July 2000 if you purchased the property before 1 July 2000</li> <li>• if you purchased the property on or after 1 July 2000, the GST-inclusive market value of the property when it was purchased.</li> </ul>
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## Group member

To work out your margin, treat the property payment by you or a fellow group member as being equal to the amount paid if, at the time you sell property under the margin scheme and either of the following applies:

- You haven't paid the previous owner in full.
- You are a member of a GST group and purchased the property from a fellow member of the group and that fellow group member hasn't fully paid the previous owner.

A decreasing adjustment may be required if the unpaid payment is later provided.

## Associate

To work out the margin for your sale of property to an associate, treat the payment for your sale as equal to the GST-inclusive market value of the property at the time of the sale.

The GST-inclusive market value of the property is the market value without any discount for GST payable on the sale.

**See also:**

- [Making adjustments on your activity statements](#)

## If the 2008 amendments apply

Under the 2008 amendments, the rules discussed for the 2005 amendments continue to apply.

The 2008 amendments affects sales of property purchased as, or as part of, a going concern or GST-free farmland or from an associate without payment. Sellers must consider the value added by the previous owner when working out the margin.

The following table shows how you are affected by the 2008 amendments to the margin scheme and how the margin is calculated if you purchased property:

- as part of a going concern
- as GST-free farmland
- from an associate without payment.

## How the margin scheme is calculated if affected by the 2008 amendments

<b>Date the previous owner purchased the property...</b>	<b>The previous owner was ...</b>	<b>How the margin is calculated</b>
<b>before 1 July 2000</b>	registered or required to be registered for GST on 1 July 2000	The margin is the sale price that exceeds either: <ul style="list-style-type: none"><li>• an approved valuation of the property as at 1 July 2000</li><li>• the GST-inclusive market value of the property as at 1 July 2000.</li></ul>



<p><b>before 1 July 2000</b></p>	<p>not registered or required to be registered on 1 July 2000</p>	<p>The margin is the amount by which the sale price that exceeds either:</p> <ul style="list-style-type: none"> <li>• an approved valuation of the property on the first day <b>the previous owner was</b> registered or required to be registered for GST</li> <li>• the GST-inclusive market value of the property at the first day <b>the previous owner was</b> registered or required to be registered for GST.</li> </ul>
<p><b>on or after 1 July 2000</b></p>	<p>registered or required to be registered for GST at the time of purchase</p>	<p>The margin is the amount by which the sale price that exceeds either:</p> <ul style="list-style-type: none"> <li>• an approved valuation of the property the day the previous owner purchased the property</li> <li>• the actual payment paid by the previous owner.</li> </ul> <p>If the previous owner purchased the property in an arm's length transaction, its expected the value of the property is equal to the payment on the day they purchased it.</p> <p>If the previous owner's purchase was without payment, its expected</p>

		the value is the GST-inclusive market value of the property as at the time of the previous owner's purchase.
<b>on or after 1 July 2000</b>	not registered or required to be registered at the time of purchase	<p>The margin is the amount by which the sale price that exceeds either:</p> <ul style="list-style-type: none"> <li>• an approved valuation of the property at the first day <b>the previous owner was</b> registered or required to be registered for GST</li> <li>• the GST-inclusive market value of the property at the first day <b>the previous owner was</b> registered or required to be registered for GST.</li> </ul>

**Example: Margin for sale of property purchased as part of a going concern**

In September 2018, Heather sold her going concern to Jamie, which included property.

Heather originally purchased the property using the margin scheme in August 2014 for \$320,000.

A rates valuation made in 2014 by the relevant state government stated the value of the property was \$330,000 on the valuation date. This was given to Jamie.

Heather was registered for GST when Jamie purchased it.

Heather and Jamie aren't members of the same GST group, nor are they part of the same GST joint venture.

In 2020, Jamie decides to sell the property to Aldo using the margin scheme for \$880,000.

Jamie uses the 2014 state government approved valuation and works out the margin for her sale.

The margin for Jamie's sale is \$550,000. The sale price (\$880,000) exceeds the approved valuation of the property on the date Heather purchased it (\$330,000).

Jamie has to use the actual purchase price of \$320,000 if she didn't have an approved valuation.

Jamie reports the sale on her activity statement in the period the sale occurred:

- **G1** Total sales: \$550,000
- **1A** GST on sales: \$50,000.

### **Example: Margin for a sale of property acquired from an associate without payment**

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Aldo owned land on 1 July 2000. He didn't register for GST until 1 October 2003.

In March 2019, Aldo supplied the land to Matt, his associate, without receiving any payment.

Aldo's sale was made in the course of his business and it wasn't a taxable sale.

Aldo and Matt aren't members of the same GST group and aren't part of the same GST joint venture.

At a later date, Matt decided to sell the land to Julieanne using the margin scheme for \$550,000. Matt got an approved valuation that valued the land at 1 October 2003 was \$220,000.

The margin for Matt's sale to Julieanne is \$330,000 – the payment for the sale (\$550,000) exceeds the approved valuation

on the first day Aldo was registered for GST (\$220,000).

Matt reports the sale on his activity statement in the period the sale occurred:

- **G1** Total sales: \$330,000
- **1A** GST on sales: \$30,000.

**See also:**

- [Valuations](#)

## Subdivided land

To work out the portion of the purchase price for a subdivided allotment or strata title unit you may use any reasonable method of apportionment.

If you purchase land and subdivide it or build strata title units on it and later apply the margin scheme, the margin is the selling price less the price you paid for the portion of property.

### **Example: working out the margin on subdivided land or strata title units**

JWDev is a GST-registered property developer. It bought a 2,000 square metre block of land for \$240,000 from a private individual who wasn't required to be registered for GST.

The block is of equal value per square metre. JWDev subdivided the block into two lots of 600 square metres each and one lot of 800 square metres.

JWDev used an area basis to work out the purchase price of the subdivided lots:

- 600sqm lots at \$72,000 ( $600 \div 2,000 \times \$240,000$ )
- 800sqm lot at \$96,000 ( $800 \div 2,000 \times \$240,000$ ).

If JWDev sells the 800 square metre lot for \$140,000, the GST payable will be the selling price minus the purchase price of the property divided by eleven, that is  $(\$140,000 - \$96,000) \times 1 \div 11 = \$4,000$  in GST to pay.

JWDev reports this sale on its activity statement in the period the sale occurred:

- **G1** Total sales: \$44,000
- **1A** GST on sales: \$4,000.

**See also:**

- [GSTR 2006/8](#) *Goods and services tax: the margin scheme for supplies of real property acquired on or after 1 July 2000* – paragraphs 58–68.

## Mixed supply

You can apply the margin scheme to the taxable part of a mixed-supply sale, for example, partly GST-free and partly taxable.

If you obtain property through two or more individual purchases and the 2008 amendments apply to any of the individual purchases, the 2008 amendments only apply to those individual purchases, not the whole property you're selling.

You may need to [make an adjustment](#) if you have already reported the GST and there is a change in creditable purpose.

## Apportionment

We consider an area-based apportionment is appropriate. Other reasonable methods may also be appropriate in some circumstances as the law doesn't expressly provide a means of working out the extent your sale is connected with each of your purchases.

Using apportionment, the margin for your sale is worked out as follows:

- Work out the area of one of the individual purchases relative to the total area being sold (expressed as a percentage).
- Multiply this percentage by the price of your sale of the entire property (or the GST-inclusive market value of your sale if made to an associate).
- Apply the 2005 and 2008 amendments if necessary.

## Cost base method

You can get the same result as the apportionment method by using the following steps:

- Apply the 2005 and 2008 amendments, to work out the 'cost base' for each individual purchase. By 'cost base', we mean the payment for your purchase or any equivalent valuation, such as a GST-inclusive market value or payment provided by a GST group member for an earlier supply.
- Add the cost bases together to get your overall cost base.
- The margin for your sale is the amount the payment for your sale (or the GST-inclusive market value of your sale if made to an associate) exceeds your overall cost base.

**See also:**

- [Cost base adjustments for capital works](#)

**Example: Sale of property partly purchased from an associate without payment and partly purchased from an unrelated party**

In May 2009, Heather purchased two adjacent blocks of land (Block A and Block B). Block A is half the size of Block B.

Heather purchased Block A from Gemma for \$400,000 through a taxable sale using the margin scheme. Gemma isn't an associate of Heather.

Heather purchased Block B from Linda, an associate, without making any payment.

Linda was registered for GST at the time Heather bought Block B and was in the course of her business, but as it wasn't for payment it wasn't a taxable sale. Linda purchased Block B in March 2007 for \$600,000.

In 2019, Heather amalgamates the two blocks and sells them using the margin scheme to Thomas, an unrelated party for \$1.5 million:

- Block A is one third of the total area of the interest Heather sells to Thomas.
- $1 \div 3 \times \$1.5 \text{ million} = \$500,000$ .
- Heather's partial margin is \$100,000 ( $\$500,000 - \$400,000$ ).

- Block B is two thirds of the total area. Two thirds of the sale price of \$1.5 million is \$1 million. The partial margin is \$400,000 (\$1,000,000 – \$600,000) as Linda purchased the block for \$600,000.
- The total margin using the apportionment method is **\$500,000** (\$100,000 + \$400,000).

The same result occurs if Heather's margin was calculated using the cost base method:

- The cost base for Heather's purchase from Gemma is \$400,000 and the cost base for Heather's purchase from Linda is \$600,000.
- Heather's overall cost base is \$1 million (\$400,000 + \$600,000).

The margin using the cost base method is **\$500,000** (\$1.5 million – \$1 million), and the GST payable is one eleventh of that margin (\$45,454).

Heather reports the sale on her activity statement in the period the sale occurred:

- **G1** Total sales: \$500,000
- **1A** GST on sales: \$45,454.

## Making an adjustment

If you or the previous owner amalgamated property you're selling using the margin scheme, you may need to make an adjustment to the GST paid.

### Amalgamating property if the 2005 amendments apply

Prior to the 2008 amendments, you have an increasing GST adjustment if all of the following applied:

- You made a taxable sale of property under the margin scheme.
- Part of the property you're selling was acquired through a sale was ineligible for the margin scheme.

- You were entitled to a GST credit for the purchase of this part of the property.

An increasing GST adjustment is an adjustment that increases your net amount of GST for the tax period. The amount of the adjustment is equal to the previously claimed GST credit for the property.

**Example: Increasing GST adjustment for amalgamated land purchased partly as a going concern and partly through a taxable sale not made under the margin scheme**

In December 2006, Spiro purchased land from Diane for \$550,000 as a fully taxable sale and GST was worked out without using the margin scheme. Spiro claimed a GST credit of \$50,000.

In March 2007, Spiro purchased an adjacent block of land from Matt as a going concern. Matt purchased the land from Linda before 1 July 2000. The land contained a shop that Spiro continued to operate. Spiro amalgamated the land under a single title.

In April 2009, Spiro was approached by a property developer, LBS Homes, to buy the land Spiro bought from Diane and Matt. Spiro sold the amalgamated land to LBS Homes using the margin scheme.

Spiro has an increasing GST adjustment for his sale to LBS Homes because:

- he made a taxable sale of property using the margin scheme
- part of the interest was made through a fully taxable sale that wasn't eligible for the margin scheme (the purchase from Diane)
- he was entitled to a GST credit of \$50,000 for that purchase.

The amount of the increasing GST adjustment is \$50,000 (if Spiro had no other adjustments for this purchase).

## **Amalgamating property if the 2008 amendments apply**



The [2008 amendments](#), which make you ineligible for the margin scheme when you purchase property that's a going concern, GST-free farmland or from an associate for no payment apply to any part of property you amalgamate.

### **Example: Increasing adjustment for amalgamated land purchased partly as a going concern**

In May 2009, Linda purchased a property as part of a GST-free going concern from Eddy, who was registered for GST.

When Eddy bought the property in 2002, he purchased the entire property through a fully taxable sale and GST was worked out without using the margin scheme. Eddy purchased the property for \$220,000 and was entitled to a \$20,000 GST credit.

Linda amalgamated the land from Eddy with land she purchased from Rob in 2008. The sale of the land from Rob was a taxable sale and GST was worked out using the margin scheme.

Sometime later, Linda sold the amalgamated land under the margin scheme.

Linda had an increasing adjustment because:

- she made a taxable sale of property using the margin scheme
- the purchase from Eddy was a sale that was ineligible for the margin scheme
- Eddy had been entitled to a GST credit for his purchase.

The amount of the increasing adjustment is equal to either:

- one eleventh of an approved valuation of the property at the date Eddy purchased it if Linda chooses to apply an approved valuation to work out the amount
- \$20,000 (one eleventh of the amount paid by Eddy for the property).

## **When the previous owner amalgamated the property**

Under the 2005 amendments, an adjustment isn't needed to offset a GST credit the previous owner claimed.

If the 2008 amendments apply, and the previous owner purchased any part of the property (they sold to you) through a fully taxable sale that wasn't made using the margin scheme, you need to know:

- if the previous owner was entitled to a GST credit for their purchase of that part of the property
- the amount paid by the previous owner for their purchase of that part of the property.

Alternatively, if you choose to get an approved valuation to work out your adjustment, you need the date the previous owner purchased that part of the property.

If the previous owner who sold you the land had amalgamated that land and was entitled to a GST credit for the purchase of part of that land, you will have an increasing adjustment if you use the margin scheme through any of the following:

- a sale of a going concern
- GST-free farm land
- a non-taxable sale from a registered associate.

The increasing adjustment offsets the GST credit claimed by the previous owner.

**Example: Increasing adjustment for property purchased as part of a going concern the previous supplier amalgamated**

In April 2009, Dan purchased property as part of a going concern from Aldo. Aldo was registered for GST at the time of Dan's purchase.

Aldo purchased the (amalgamated) property he sold to Dan through two separate purchases – from:

- Loretta as a taxable sale and GST was worked out without using the margin scheme
- Peter who used the margin scheme.

The payment for Aldo's purchase from Loretta was \$330,000. Aldo was entitled to a GST credit of \$30,000.

Dan sells the property in August 2019 and uses the margin scheme.

Dan has an increasing adjustment because:

- he made a taxable sale of property using the margin scheme
- his purchase of the property from Aldo was GST-free.

Aldo:

- purchased part of the property as a fully taxable sale (from Loretta) that was ineligible for the margin scheme
- was entitled to a GST credit for his purchase from Loretta
- was registered for GST at the time of Dan's purchase of the property.

The amount of the increasing adjustment is equal to either:

- one eleventh of an approved valuation of the property at the date Aldo bought it from Loretta (if Dan chooses to apply an approved valuation to work out the amount)
- \$30,000 (one eleventh of \$330,000, the amount Aldo paid Loretta).

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## Valuations

If you're using the valuation method to sell property, you must use an approved method of valuing your property.

**Last updated** 19 August 2021

### On this page

[Methods available](#)

[Approved valuations](#)

[Deadline for valuation](#)

## Methods available

There are three valuation methods available:

- a valuation by an approved valuer
- a valuation based on the payment the seller receives under a contract of sale (if the contract was entered into before the valuation date)
- a valuation prepared by a state or territory department for rating or taxing purposes.

For properties that are partly completed at the valuation date, use the value in writing from a professional valuer.

A valuation must include all of the following:

- objectively show the valuer undertook the valuation process according to valuation industry practices
- be documented and explained well enough for another valuer to understand how outcome was worked out and replicate the process.

You must have a valuation by the due date for lodging your activity statement for the tax period the sale applies to.

### See also:

- [MSV 2005/3](#) *Margin Scheme Valuation Requirements Determination*
- [MSV 2009/1](#) *Margin Scheme Valuation Requirements Determination*
- [MSV 2020/1](#) *Margin Scheme Valuation Requirements Determination*

## Approved valuations

Approved valuations must:

- be undertaken by a [professional valuer](#)
- provide the [market value of the property as at the valuation date](#)
- include a [signed certificate](#)

- be provided as a [written report](#)

Our [checklist](#) can help you confirm a valuation is an approved valuation.

## Professional valuer

A professional valuer is any of the following:

- a person registered or licensed to carry out real property valuations under a Commonwealth, state or territory law
- a person who runs a business as a valuer in a state or territory where they aren't required to be licensed or registered
- a person who is a member of the
  - Australian Property Institute and accredited as a Certified Practicing Valuer
  - Royal Institute of Chartered Surveyors and accredited as a Chartered Valuation Surveyor
  - Australian Valuers Institute and accredited as a Certified Practicing Valuer.

## Market value at valuation date

Property valuers generally adopt the International Valuation Standards Committee's (IVSC's) definition of market value and base their valuation on the property's highest and best use.

A valuer should take consider all factors when the valuation is prepared that could affect the market value of the property at the valuation date, including but not limited to:

- the physical and legal state of the property
- interest in the land
- improvements
- buildings and machinery fixed to the land
- any property rights connected to the property
- the approved zoning.

If the property is contaminated at the valuation date, the valuer should work out its market value based on its contaminated condition on that date. They may consider remediation work or improvements to the property up to the valuation date.

**See also:**

- [Market valuation for tax purposes](#)

## Valuation date

Generally, the valuation date is either:

- 1 July 2000 if you held or owned the property before 1 July 2000 and were registered (or required to be registered) for GST at that date
- the date you were registered (or required to be registered) for GST, if you held or owned the property before 1 July 2000 and weren't registered (or required to be registered) until after that date.

Even though you must value a property as it was at the valuation date, it doesn't have to be done on that date.

## Value of property interest that existed at the valuation date

If the interest that existed at the valuation date is different to the interest you're selling, you:

- must get a value of the interest that existed at the valuation date
- need to apportion that value on a reasonable basis.

### **Example 1: Valuation of each separate lot can't exceed total value of the single lot**

Morgan Group registered for GST on 1 July 2000. It's undertaking a four-stage residential development over three years on land it owned since 1996. Each stage of the development is at least 20 separate lots. At the valuation date of 1 July 2000, Morgan Group held a single large lot of land as it wasn't subdivided yet.

Morgan Group must:

- get the market value of the single large lot at 1 July 2000

- apportion this value over the four stages of the development on a reasonable basis.

The sum of the values it assigns to each stage can't exceed the total value of the single large lot.

Once Morgan Group assigns an apportioned value to each stage, it must allocate a value to each individual lot in that stage.

### **Example 2: Apportionment on a reasonable basis**

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DP Dev registered for GST on 1 July 2000. It is developing a residential strata unit complex of 45 units on a single lot purchased in 1997. At the valuation date of 1 July 2000, DP Dev held the single lot as vacant land.

DP Dev must:

- get the market value of the vacant lot at 1 July 2000
- apportion this value between the 45 units on a reasonable basis.

### **Example 3: Partnership requires valuation at GST registration and apportions value on a reasonable basis**

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The Tower and Wilson partnership registered for GST on 1 June 2007 as they wanted to develop their land into a residential complex of 12 strata units. The partnership owned the land since 1985.

A residential dwelling is on the existing land the partnership leased to tenants up until April 2007. At 1 June 2007, the residential property is unoccupied.

The partnership should:

- get the market value of the property at 1 June 2007 (the existing interest at the valuation date was land with a

residential property)

- apportion this value between the 12 units on a reasonable basis.

## **Signed certificate**

The signed certificate must specify the:

- full description of the property being valued
- applicable valuation date
- date the valuer provides the valuation to you
- market value of the property at the valuation date
- valuation approach and any calculation
- name and qualifications of the valuer.

## **Written report**

Along with the signed certificate, the valuer should provide the following information in their written report:

- a description of the asset
- the purpose and context of the valuation
- the date of the valuation
- the method or methods used
- the reasons for the methods used
- the specific value
- the information relied on
- an evaluation of this information
- the assumptions relied on
- an evaluation of these assumptions
- any material risks
- any previous valuations used
- explanations of material differences



- expert reports and the use of experts
- the terms of engagement
- the relationship between the valuer and client
- the working papers
- any disclaimers and indemnities
- the valuer's details and qualifications
- whether the valuer undertook this process according to valuation industry practices.

If the information isn't in a written valuation report it should be readily available in the valuer's working papers.

## **Approved valuation checklist**

- The person providing you with a valuation must be a professional valuer.
- You must hold a written valuation report.
- The valuation report must detail the valuation process.
- The valuation provides a market value of the real property interest existing at the valuation date (which may not be the same interest being sold.)
- Apportionment to the market value must be done on a reasonable basis.
- The valuer must
  - make the valuation according to professional standards
  - list the facts correctly
  - use the appropriate valuation methods
  - make reasonable assumptions
  - consider contamination as at the valuation date.
- The valuation report must contain a signed certificate.
- You should hold a valid valuation before reporting the property sale on your activity statement.

## Deadline for valuation

You must have the property valued before the due date for your activity statement for the tax period you sell (settle) the property.

There may be exceptional circumstances preventing you from getting a valuation by your activity statement due date. If you have made an oversight, we may allow a short period for you to get an approved valuation.

If you have an approved valuation by your activity statement due date and you work out the margin based on that valuation, you can't later change to either:

- another valuation
- a different method of valuation
- an amount based on your purchase price (the consideration method).

### See also:

- [PS LA 2005/16](#) *Further period to make an approved valuation for the purposes of working out the margin for the supply under Division 75 of the A New Tax System (Goods and Services Tax) Act 1999*

## Sales before 29 June 2005

If you sold your property under the margin scheme before 29 June 2005 and used the valuation method to work out the margin, different valuation methods may apply.

Different valuation methods are in the following Margin Scheme Valuation Determinations:

- [MSV 2000/1](#) *Completed premises*
- [MSV 2000/2](#) *Partly completed premises*
- [MSV 2005/1](#) *Additional valuation method*
- [MSV 2015/53](#) *Costs of completion method*

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## GST at settlement

GST to be paid by purchasers at settlement.

**Last updated** 19 August 2021

From 1 July 2018, when buying taxable supplies of new residential premises or potential residential land, most purchasers pay at settlement 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 a purchaser must withhold and remit to us is:

- one eleventh of the contract price (for fully taxable supplies)
- 7% of the contract price (for margin scheme supplies)
- 10% of GST exclusive market value of the supply (for supplies between associates for a price less than GST inclusive market value).

Supplier's must still lodge their business activity statement (BAS) and report their GST liabilities or entitlements on taxable supplies of these types of properties.

### **Example: Withholding when a sale uses the margin scheme**

BuildCo has land they acquired for \$228,000 in 2009 and built a new residential house on it. The supply to Buildco used the margin scheme and Buildco can apply the margin scheme to subsequent sales as long as the purchaser agrees.

On 9 August 2018, Tom enters into a contract to purchase the new house from BuildCo for \$800,000 and pays an \$80,000 deposit. Tom and BuildCo have agreed in writing that the supply will be made using the margin scheme.

The contract of sale includes:

- the required supplier notification
- \$56,000 (7% of \$800,000) to be withheld and remitted to the ATO
- the balance of the sale to be paid to BuildCo.

The notification enables Tom's conveyancer to complete the *GST property settlement withholding notification* (Form one) online and get a payment reference number (PRN) and lodgment reference number (LRN).

Form one allows the amount withheld and remitted by Tom's conveyancer to be matched with BuildCo's account, once BuildCo's relevant activity statement has been lodged.

Settlement occurs on 2 November 2018. At settlement, Tom's conveyancer lodges the *GST settlement date confirmation* (Form two) using the PRN and LRN:

- pays the balance of the house purchase price of \$664,000 (\$800,000 less \$80,000 deposit less \$56,000 GST) to BuildCo
- pays the withheld amount of \$56,000 to us electronically.

### **BuildCo's margin scheme calculation**

BuildCo's GST margin is calculated as the new house's sale price less the amount paid for acquiring the property in 2009:

- Land cost \$228,000
- The margin = sale price minus land price (\$800,000 – \$228,000 = \$572,000).

The GST amount = (margin of \$572,000 × 1 ÷ 11 = \$52,000).

BuildCo lodges their December 2018 BAS and includes at:

- Label **G1** Total sales: \$572,000 (the margin)
- Label **1A** GST on sales: \$52,000.

The \$56,000 credit amount paid by Tom's conveyancer matches BuildCo's details in the supplier notification and is offset against the GST payable on the sale \$52,000 when the activity statement is processed.

BuildCo receives a GST refund of \$4,000 being the difference between the GST remitted by Tom's conveyancer (\$56,000) and (7% of \$800,000) and \$52,000, which is the GST liability on the sale of the new residential premises.

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## Completing your activity statement

How to complete your activity statement to account for GST when using the margin scheme.

**Last updated** 19 August 2021

### On this page

[G1 Total sales](#)

[1A GST on sales](#)

[Purchases](#)

When you report on your activity statement depends on the accounting basis you use. You can account on a cash basis or a non-cash basis.

You need to account for GST when using the margin scheme as follows.

### G1 Total sales

Report the amount of the 'margin' on your sale at **G1**.

If the margin is nil (or a negative amount), don't report any amount at **G1** (total sales).

## 1A GST on sales

Report the amount of GST on your margin at **1A** (GST on sales).

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

## Purchases

If you buy property and the GST included in the price was worked out using the margin scheme, you aren't entitled to a GST credit for the purchase.

**See also:**

- [Completing your BAS for GST](#)

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## Record keeping

What records to keep and how long to keep them.

**Last updated** 19 August 2021

### On this page

[Records to keep](#)

[How long to keep them](#)

[Records for subdivided land](#)

[Issuing a tax invoice](#)

[Sales and contracts before 29 June 2005](#)

## Records to keep

We recommend you keep:

- accounting records for the transaction, including sale and purchase contracts and settlement statements
- evidence of the original purchase price of the property
- records showing how you applied the margin scheme, including identifying the particular property you sold using the margin scheme
- records showing your agreement with the purchaser to use the margin scheme
- if you used the valuation method, the valuations or other documents showing how you arrived at the value of the property
- the approved valuation.

## How long to keep them

You must keep all records for five years after the sale.

## Records for subdivided land

If you're subdividing land or building strata title units on the land, you must keep records showing how you worked out the margin for each subdivided lot or each unit.

Keep records on how you apportioned:

- a valuation of land held at 1 July 2000 that has been subdivided or developed into strata units
- the purchase price of land acquired after 1 July 2000 that was subdivided or developed into strata units.

A valuation or the purchase price can be apportioned by using any fair and reasonable basis.

## Issuing a tax invoice

You don't need to issue a tax invoice to the purchasers for sales made solely under the margin scheme. This is because purchasers can't claim a GST credit for sales using the margin scheme. You may issue a receipt for the price paid.

## Sales and contracts before 29 June 2005

Sellers must keep evidence of their choice to use the margin scheme for sales and contracts prior to 29 June 2005.

These records are often in the sales contract. Other forms of evidence may include:

- correspondence
- a company or trust minute
- a file note.

The property must be identified by:

- a project lot number
- lots on a particular estate
- land contained in a specified contract.

We may also accept evidence of your choice to apply the margin scheme held by other parties, such as your professional advisers, valuers or financiers.

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## Purchasing property using the margin scheme

You can't claim a GST credit when buying property where the margin scheme was used.

**Last updated** 19 August 2021

When buying property where the margin scheme was used, you can't claim a GST credit for the GST included in the purchase price – even if it was for business purposes.

If you were charged the full rate of GST when you originally purchased a property, the margin scheme can't be used when you sell it. This is because you would have claimed the GST back as part of your business.



## **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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