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E-alert: Crack Down on Developer Compliance with GST Requirements

By ,

The Federal Government has introduced a significant measure that will impact residential developers of properties in circumstances where the sale of their stock gives rise to a taxable supply.

Under the current law, it is the seller's responsibility to remit the GST component of the purchase price to the Australian Tax Office (**ATO**).

However, new legislation is currently being developed which will require purchasers of newly constructed residential properties or new subdivisions to remit the GST directly to the ATO as part of the process of settlement.

It has been reported that the change will alleviate 'phoenix activity', whereby developers transfer out all of their assets and liquidate the company, before GST is paid to the ATO.

The Federal Government anticipates that it will consequently collect $650 million in GST revenue over the period of 4 years.

The changes will come into effect from 1 July 2018. However, it is unknown at this stage whether Contracts of Sale that are entered into prior to that date, but which settle after that date, will be affected.

Should you wish to discuss any matters arising out of this article, please contact the author:

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