



## NEWS

### **GST Avoidance on the Sale of New Homes and Units Under Investigation**

**01 July 2004**

Property developers and marketers who try to avoid or reduce GST on the sale of new homes, units or other properties are being investigated by the Tax Office.

The Tax Office today released a key ruling on joint venture arrangements and three new taxpayer alerts to warn that this area of activity is under increasing scrutiny.

A taxpayer alert concerning the use of joint venture arrangements was issued in January 2004. This alert followed the Commissioner's early warning last year expressing concern about the apparent emergence of aggressive GST planning around the joint venture and grouping provisions.

Tax Commissioner Michael Carmody said the ruling issued today confirms the Tax Office's view that the use of the joint venture provisions of the law to avoid GST on the sale of new property is ineffective.

"The three further alerts issued today follow more detailed analysis of information obtained from our audit activity including information held by a middle tier accounting firm which has actively promoted these arrangements particularly in Queensland.

"Tax planning arrangements that use grouping, going concern and margin scheme provisions are described in the three alerts. These arrangements are being further investigated and are likely to be challenged under either the general anti-avoidance or general provisions of the GST laws," Mr Carmody said.

"Promoters and developers should note the Tax Office will not restrict its scrutiny to new cases but will review existing purchases which have used these or any related arrangements."

Generally these arrangements take advantage of the fact that while the sale of a new property attracts GST, the sale of an existing property does not.

For example, a concession within the grouping provisions allows one member of the group to sell a new property to another group member without charging GST.

When the property is sold on to a consumer, no GST is charged because it's claimed the property is no longer new.

Based on the evidence available, there appear to be no consequences for the investors and owner-occupiers in the arrangements under review.

However these events are a reminder to people that they should be wary, and seek independent advice, should they be confronted with arrangements proposing that they be liable for any changes in GST treatment.