



GST at settlement

Since 1 July 2018, the way goods and services tax (GST) is paid on property transactions for new residential property or potential residential land has changed

For many conveyancers this is the first interaction you have had with the ATO for property sales and the ATO has noticed some common errors that can easily be prevented.

Overview of the process

As conveyancers can represent either or both the supplier and purchaser – here's an overview the ATO has provided on how the full process works from both sides.

Supplier/vendor notifies the purchaser/buyer of the amount to withhold, including the active ABN and correct name of the entity (contracts should state if sales are subject to GST). This can be provided in the property contract or via separate notification.

- **Purchaser** lodges Form one with the ATO: [GST property settlement withholding notification](#) from the ATO website and submits it at any time up to the due date.
- **Purchaser** receives an email confirming the receipt of the first form from the ATO. This receipt includes a summary of the information on the form along with a payment reference number (PRN) and lodgment reference number (LRN). Keep these details for when settlement occurs.
- The amount reported on the forms must be the same as the amount being withheld and the amount being paid (in whole dollars).

When settlement occurs:

- **Purchaser** submits Form two to the ATO: [GST property settlement date confirmation](#) from the ATO website.
- **Purchaser** pays the GST withheld amount to the ATO on or just before the due date using the PRN details received from the ATO after submitting Form one.
- **Purchaser** receives a confirmation email that the payment has been received from the ATO
- A GST credit is then put on the supplier's ATO GST property credits withholding account.
- **Supplier** gets an email from the ATO confirming the credit is received.
- **Supplier** lodges their Business Activity Statement (BAS) as usual and includes details about the transaction.
- Remind your clients that supplies must be included in their BAS – consider updating your settlement statements to include this reminder.

Common errors and how to prevent them

Issues for suppliers

- If you work closely with real estate agents, remind them to ask their suppliers if they're required to be registered for GST if they're making a supply of new residential premises or potential residential land. It will make your job a lot easier if this is known before the contract is entered into.
- Make sure you have the supplier's correct ABN. The ATO has identified many instances where suppliers are members of a GST group but the ABN used isn't for the entity that's required to report the supply to the ATO. Confirm if your clients are part of a GST group before recording an ABN on the notification to the purchaser. If the supplier belongs to a GST Group it is the ABN of the Group representative (the entity required to report to the ATO) that should be the ABN included on the notification to the purchaser. This will ensure that the purchaser records the correct ABN on the Form 1.

Issues for purchasers

- To prevent the ATO calling and extra work for you, submit Form 2 within two business days of settlement, on settlement or within one business day after settlement. Then you are unlikely to need to cancel forms if the contract isn't completed.
- To amend or cancel forms, see ato.gov.au/gstpropertyforms and contact us on 13 28 66 (Fast Key Code 3 4). Depending on your situation we may need to amend your form/s for you; or cancel form/s and you will need to re-submit. If you re-submit form 2 you need to contact us, to ensure a 'false debt' is not added to the purchasers account.
- Contact the ATO early if you're not sure if a sale should be subject to GST. The purchaser still has a GST withholding obligation, even when the vendor/supplier fails to provide the notification, if they believe that the supply should be a taxable supply.

More information

An ATO guide on GST at settlement has been developed and is available from the ATO website at ato.gov.au/gstatsettlement.