BAN TACS NEWSFLASH

National Accountants Group

Visit us at www.bantacs.com.au

Issue No. 343 Date: 27th February, 2019

This edition of Newsflash is for readers interested in property but not just a '*buy and hold'*. It introduces 3 more detailed blogs that cover renovators, small subdivisions, building a duplex or battle-axe block and a new booklet for Granny Flats.

If you are interested in anything property, please ensure you like our property Facebook for regular updates and tax tips: https://www.facebook.com/BANTACSpropertypage/

GST Withholding – Small Property Development

The ATO have finalised the draft of LCR 2018/4. It is a straight forward law if you are buying off the plan, a brand-new house or land that could be used for residential purposes that is part of a recent subdivision.

Simply, you are required to withhold 1/11th of the purchase price and send it to the ATO. Failure wo withhold may result in you paying the amount anyway, effectively another1/11th over the top of the purchase price.

The legislation seems to punish the purchaser more than catching out the phoenix developers the law was intended to catch. The developer can give the purchaser a notice stating they are not required to be registered for GST so you do not have to withhold. They can simply TELL the purchaser not to withhold rather than prove they are exempt. Yet the purchaser could still be responsible to pay the GST unless:

> *"there was nothing in the contract for the supply or any other circumstances relating to the supply that made it unreasonable for the purchaser to believe that the statement or indication was correct"*

I spoke to the ATO about this and they said that if the seller was not an individual, or it was vacant land in a group of blocks, then they would expect the purchaser to withhold. The ATO would not be drawn on how many blocks qualifies as a 'group of blocks' nor was this opinion expressed in the ruling.

If you are a small developer relying on the fact that you are merely realising an asset so do not need to register for GST or if you are a conveyancing solicitor Your situation is covered in detail in this blog: https://bantacs.com.au/Jblog/.

Building a Duplex or Cutting off the Back Yard

There are all sorts of tax traps here, from completely losing your main residence exemption when you demolish your home, to paying GST unnecessarily. For e.g. if you are selling vacant land and register for GST when not required to do so.

So, before you start please make sure you read Julia's blog https://bantacs.com.au/Jblog/building-a-duplex/#more-222. If you still want more after that exciting read have a go at our How Not To Be A Developer booklet https://www.bantacs.com.au/booklets/How-Not-to-Bea-a-Developer-Booklet.pdf

BAN TACS OFFICES

QUEENSLAND

Brisbane 1300 911 227
brisbane@bantacs.com.au

Caboolture 07 5497 6777
admin@bantacsningi.com.au

Gold Coast 07 4681 4288
goldcoast@bantacs.com.au

Mackay 07 4951 1848
mackay@bantacs.com.au

Ningi 07 5497 6777
admin@bantacsningi.com.au

Toowoomba 07 4638 2022
toowoomba@bantacs.com.au

NEW SOUTH WALES

Sydney 1300 367 688
sydney@bantacs.com.au

Burwood 1300 367 688
burwood@bantacs.com.au

Crows Nest 1300 790 535
crowsnest@bantacs.com.au

Central Coast 02 4390 8512
centralcoast@bantacs.com.au

SOUTH AUSTRALIA

Adelaide 08 8352 7588
adelaide@bantacs.com.au

VICTORIA

Melbourne 03 9111 5150
melbourne@bantacs.com.au

FIND OUT MORE
http://bantacs.com.au/aboutus/

BAN TACS
National Accountants Group

NEWSFLASH

Visit us at www.bantacs.com.au

Issue No. 343 Date: 27th February, 2019

Granny Flats

Centrelink permits pensioners to sell their home and pay money to their child for a right to occupy part of the child's home, without triggering the gifting provisions. But this is not a good outcome for the child. If they simply receive the money in return for granting their parent a right to occupy the property then the child is selling a legal right, not part of their home.

The right is a separate asset from the home and will trigger CGT event D1 with only any legal costs to form the cost base and no 50% CGT discount because the right comes into existence at the time it is sold so 12 months cannot lapse.

For this reason it maybe more practical for the parent to actually buy part of the property so the transaction can be covered by the main residence exemption.

Even if you are just building the granny flat to rent out you still need to understand the tax consequences that are unique to granny flats. These are covered in 5 succinct points in our new granny flat booklet https://www.bantacs.com.au/booklets/Granny_flat_checklist.pdf

Renovators

Following my 3 days on the stand at a Cherie Barber boot camp I began to notice consistent misunderstandings about even the basics of the tax issues effecting renovators.

For example, you don't qualify for the 50% discount or main residence exemption if you are just flipping. Even if you are going to keep it as a rental you can't claim a tax deduction for the cost of repairs that were necessary at the time you purchased the property.

Now there is a lot more detail in our renovators booklet https://www.bantacs.com.au/booklets/Renovators.pdf and that is what I would prefer you to read but as a bear minimum please read my blog, 10 Myth Busters for Renovators https://bantacs.com.au/Jblog/10-myth-busters-for-renovators/#more-205

More Debt and more Danger

A property purchase is likely to increase your personal debt. Not to mention the increased likelihood of injury that comes with renovating.

Just as important as the tax considerations is having a plan B. This is best achieved through insurance. Our financial planning arm can review and explain your current insurance position in a free interview. For e.g. if your income insurance is held inside your superannuation fund then you may have difficulty receiving a payment for a temporary illness. We can check this for you. Unlike life insurance income protection insurance is tax deductible so there is no need to hold it inside superannuation to effectively get a tax deduction for the premiums,

All this and so much more are explained in: https://bantacsfinancialsolutions.com.au/Jblog/income-insurance/

Questions? For just $79.95, tax deductible, get a detailed written answer with references from Julia https://taxquestions.com.au/

Seminar with Noel Whittaker – Fundamental Investment Strategies for Any Environment

Brisbane 1st April, 2019 6pm Colmslie Hotel Morningside.

This year's April Fool's Joke has got to be fiscal and political certainty! Join Noel Whittaker and the rest of the BAN TACS team on April fool's day for an economic review and learn the fool proof investment strategies that you can still rely on to build wealth.

Please RSVP by ringing 1300022682 just to give us an idea of how many chairs to put out.

For more details about the seminar go to https://bantacs.com.au/seminars/