



Australian Government
Australian Taxation Office

Discussion Paper

Review of the GST at Settlement process

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Contact officer <i>(for comments or further information)</i>	Jonno Colman Project Manager - GST at Settlement Indirect Tax Australian Taxation Office Jonno.colman@ato.gov.au
Final date for comments	5 th September 2018

1. Purpose

The purpose of this review is to seek feedback from industry on the current administration of the GST at settlement measure.

This review will examine the process from the perspective of purchasers and vendors and is being undertaken with a view to identifying what is working well and what could be improved.

The review will consider the content of the forms, the time at which the forms are required to be lodged, and the communications provided by the ATO in response to the lodgement of the forms and the payment of the withholding amounts.

2. Review process

- The ATO will be holding phone hook ups with industry. If you are interested please contact me by 31st August 2018 and I will arrange a time to talk to you.
- If you want to provide written feedback please email me at jonno.colman@ato.gov.au
- , by 5th September 2018.

3. Road map of enhancements

All potential enhancements listed in this document and identified during the review with industry, will be assessed and prioritised, this may mean that some are not taken up. A road map of enhancements will then be prepared and distributed to industry to advise when further changes will be scheduled.

The first enhancements will occur from March 2019.

4. Current GST at settlement process

The current GST at settlement process is outlined at attachment A.

5. Potential enhancements identified

With notifications and payment to the ATO occurring since 1 July 2018 for property transactions covered by this measure, the ATO and industry have already identified the following enhancements:

Form 1 – GST property settlement withholding notification

- Update the withholding amount field so it can't be zero – we have seen instances where form 1 has been lodged with a withholding amount of zero. If withholding is not required, then the form doesn't need to be lodged.
- Enable the ability to add multiple properties into form 1 – industry has advised that there are contracts that cover the sale of multiple properties.
- Add in the suppliers GST branching number (if known) – this will assist with allocating GST credits to the supplier when there is GST branching in a more efficient manner.

Email 1 - Your GST property settlement withholding notification

- Add the supplier's ABN – this will help confirm the supplier details that were entered into form 1.
- Add in suburb/town/locality into the address details – this will help confirm the address details entered into form 1

Form 2 – GST property settlement date confirmation

- Withholding amount can't be zero – we have seen instances where form 1 has been lodged with a withholding amount of zero. If withholding is not required, then the form doesn't need to be lodged.
- Add a rule into the settlement date field that stops the form being lodged before settlement – form 2 is to confirm the settlement date and the withholding amount. We have seen a lot of instances where the form has been lodged early and then settlement has been delayed or not occurred which then cause's problems.

Email 2 – Withholding payment received

- Add the suppliers ABN – this will provide consistency across the 3 emails
- Add in the Payment reference number (PRN) – this will assist in confirming that the payment has been made under the correct PRN for that property transaction.
- Add in suburb/town/locality into the address details – this will provide consistency across the 3 emails

Email 3 – GST payment credited

- Add the suppliers ABN – this will provide consistency across the 3 emails
- Add in the payment reference number (PRN) – this will assist the supplier in cross referencing the payment with their 'GST property credits' account.
- Add in suburb/town/locality into the address details – this will provide consistency across the 3 emails

6. Enhancements already scheduled

Form 1 – GST property settlement withholding notification

- Late September 2018 release – payment advice that includes a pre populated payment slip (with a barcode) will be added to the print summary on the confirmation screen of form 1, this will enable payment at Australia Post.

- Late December 2018 release – further enhancement to the pre populated payment slip (with a barcode) will be a separate link on the confirmation screen to the print summary on form 1, this will closer align with the payment slip that will be attached to email 1 – see below.

Email 1 - Your GST property settlement withholding notification

- Late September 2018 release – payment advise that includes a pre populated payment slip (with a barcode) attached as a pdf to the email, this will enable payment at Australia Post.

Email 3 – GST payment credited

- Late September 2018 release – the ‘GST property credits’ account will be viewable via online services for agents and via the Business Portal. The account will provide the effective date, address line 1 + suburb/town/locality, PRN and amount.

7. Suggestions we are unable to incorporate

Form 1 – GST property settlement withholding notification

- Addition of an email address for the supplier – this was previously assessed during the development of form 1, and has been revisited, but due to privacy issues and our IT security requirements a supplier email address is unable to be added to form 1.

8. Other issues identified

Mandatory address information on form 1 - require further clarification from industry about when in the settlement process they typically receive address information – this will vary depending on the nature of the transaction(e.g. land sales, off the plan sales)

Attachment A: The current GST at settlement process

Under this measure:

- Certain purchasers of new residential premises or potential residential land are required to withhold, usually at settlement, an amount approximating the GST included in the contract price and to pay it to the ATO, and
- The paid amount is applied as a credit against the supplier's liability to pay GST in respect of the supply.

The conveyancing process:

1. Contract signed between supplier/s and purchaser/s. Supplier notifies purchaser whether they have a withholding obligation and, if so, provides certain particulars. The notification can be included in the sales contract or in a separate document provided before settlement. The Law Societies have revised their standard land contracts (excluding NT) to include the notification into the standard contract.
2. Purchaser lodges form 1: *GST property settlement withholding notification* online to the ATO. The purchaser will include the information from the supplier's notice, their details and the expected settlement date. The purchaser will receive an online confirmation and a payment reference number (PRN) and lodgement reference number (LRN).
3. In addition to the online confirmation, if the purchaser has elected to receive emails then an email confirmation from the ATO will be sent confirming that form 1 has been successfully submitted and includes a summary of the key particulars. This is *Email 1*.
4. Settlement occurs and withholding amount is paid by the purchaser (or their representative) to the ATO using the PRN. Purchaser lodges form 2: *GST property settlement date confirmation* online to the ATO. The purchaser will include the settlement date and total withholding amount. The purchaser will receive an online confirmation that the form has been successfully submitted. This fixes the purchaser's withholding obligation in the ATO's system as at the settlement date.
5. If the purchaser has elected to receive emails then the purchaser will receive an email confirmation that payment has been received. The confirmation is sent to the email address supplied in form 2. This is *Email 2*.
6. Credit for the withholding amount moves to the supplier's 'GST property credits' withholding account. The supplier (or agent) receives email confirmation from the ATO that the credit has been received. This is *Email 3*. The supplier's email address is sourced from the supplier's activity statement account and will include identifiers for the property transaction. The supplier's 'GST property credits' account, including detailed transaction identifiers, will be viewable online by the end of September 2018 via ATO Online Services for agents and via the Business Portal. This account will not be accessible via the tax agent portal.
7. Supplier lodges business activity statement (BAS) and a credit moves from the supplier's 'GST property credits' account to its activity statement account.