

Media Release

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ATO back down to impact on Qld property developers

An Australian Taxation Office (ATO) back down relating to the GST and property developers will have great impact in Queensland, according to BDO Kendalls indirect tax expert David Wilson.

The ATO had required GST to be paid back on construction costs when developers changed their intention from selling to holding on to projects because of market conditions.

“Many developers are affected in Queensland because of the booming property construction sector in the State over recent years,” Mr Wilson said.

“But because of the recent economic downturn and high interest rates, developers are finding it increasingly difficult to offload property and this new ATO position, where a developer can demonstrate it is actively and legitimately marketing the property for sale while leasing it, will have a big impact.

“It means the developer won’t be required to repay 100 per cent of the GST for construction costs which, under the previous ATO position, is what they’ve had to do since the GST was introduced in 2000.”

Mr Wilson said this would not only advantage large residential developers who had been calling on the Federal Government to change the law.

“Property developers come in all shapes and sizes, especially in Queensland, and this will affect large developers as well as smaller developers who are building suburban six-packs, unit and townhouse developments,” he said.

Mr Wilson said the property sector was the most problematic when it came to complying with the GST.

“On the surface this is a good outcome for developers and it will help their cash flow, but the GST in this area is still an administrative nightmare. While developers won’t be required to repay 100 per cent of the GST or construction costs, they will still have to repay some, and this will require more administration and apportionment,” Mr Wilson said.

“The ruling highlights historical compliance issues with the GST in the property development sector and the Board of Taxation Review which is currently looking into the administration of GST needs to come up with a workable solution.”

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