

INTRODUCTION

The Urban Development Institute of Australia (UDIA) is the peak industry body representing the property development industry throughout Australia, acting on behalf of over 2,100 member companies across the country from a variety of fields and professions in the development industry. Established at a state level in 1963, the Institute evolved to become a national body with a number of state-based divisions in 1970.

UDIA aims to secure the economic success and future of the development industry in Australia, recognising that national prosperity is dependent on our success in housing our communities and building/rebuilding cities for future generations.

UDIA welcomes the opportunity to provide this submission to the Improving the integrity of GST on Property Transactions.

We understand the primary aim of the legislation is to address tax evasion through ‘phoenixing’ arrangements. Most developers seek to comply with legislation and act in good faith. We consider this bill may unfairly penalise those developers that comply.

UDIA has met with representatives from Commonwealth Finance and the Australian Tax Office (ATO) on 31 July to raise industry concerns that this change could have a significant detrimental impact on housing supply and affordability. We met with officials again on 9 November to discuss the proposed bill.

UDIA welcomes the introduction of measures that will minimise the impacts on the vast majority of developers who have been compliant including, rapid refunds for developers, improved transitional measures, and providing certainty around property development arrangements.

UDIA considers it vital developers are not penalised when the purchaser fails to meet their obligation to pay the ATO. We consider it would be preferable for the requirement to pay GST component directly to the tax office is included in the Contract for Sale. This will allow developers to apportion the costs to ensure the most accurate GST is paid initially considering components such as incentive schemes. In addition, it provides greater transparency for the purchaser, and reduces confusion a separate notification may create.

We understand any over or underpayment will be resolved during the BAS cycle. UDIA welcomes the rapid refund system for developers using the margin scheme to be able to apply for a refund immediately once settlement has occurred. This is important to minimise cashflow impacts and the cost of housing for new home buyers.

UDIA welcomes improved certainty through the transitional measures in the exposure draft, which ensures contracts exchanged prior to 1 July 2018 and settle before 1 July 2020 will not be subject to

Exposure Draft – Improving the integrity of GST on Property Transactions – UDIA Response – November 2017



the new regime. While, we consider it might be reasonable to extend the period, this will help to allow pre-sales to settle under the same system in which contracts were exchanged.

UDIA also welcomes transparency and consistency for Property Development Agreement (PDA), providing a legislated override to ensure any transfers as part of the PDA to provide compensation for GST liability will no longer be payable for the portion of the liability met through the withholding scheme.

Please don't hesitate to contact UDIA National to discuss this submission as follows:

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