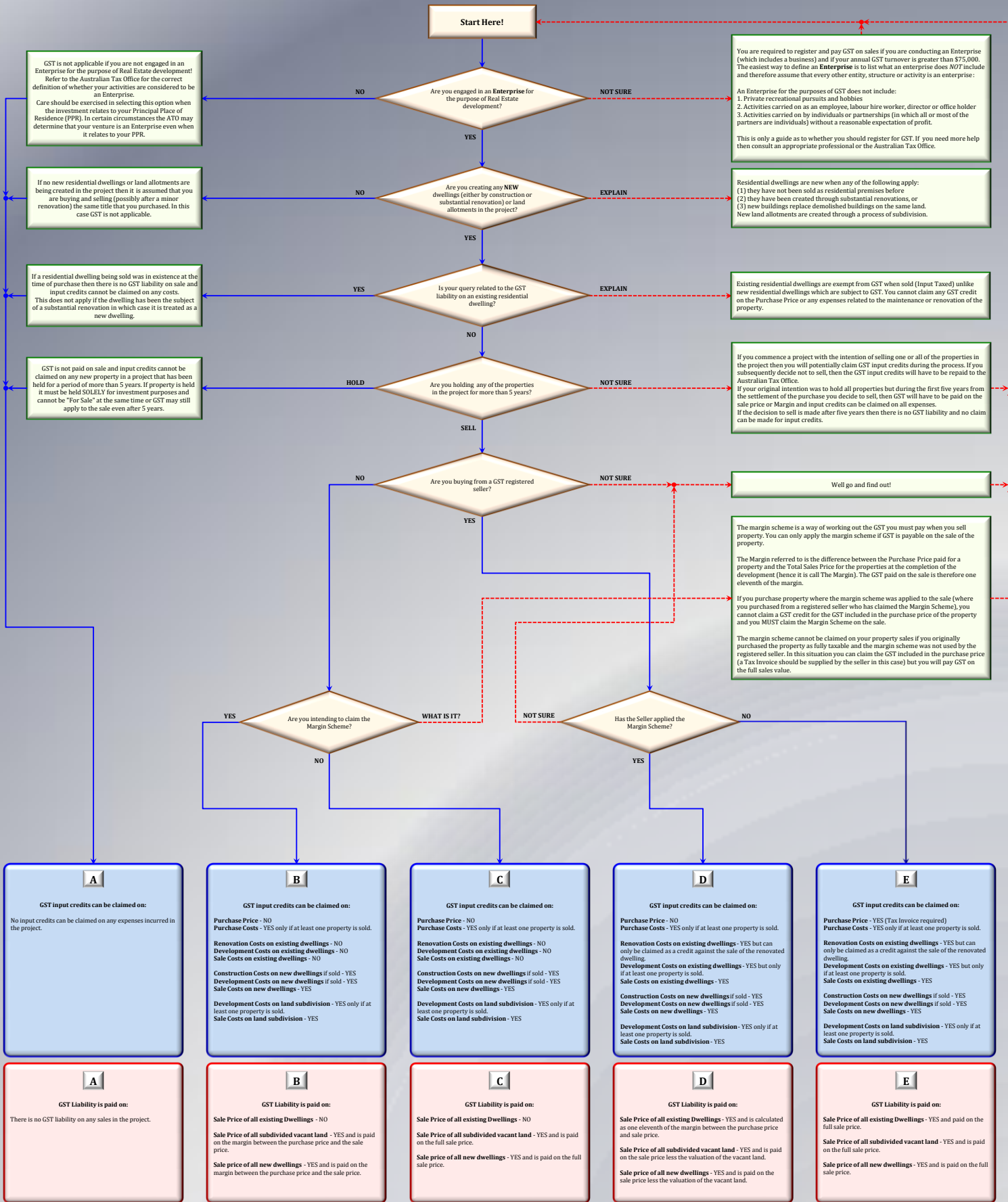


A Dummies Guide to GST in Residential Real Estate Investing.



GST RULES:

INPUT TAXED SUPPLIES - The renting of residential premises is treated as an input-taxed supply (exempt GST). The sale of residential premises will also be an input-taxed supply, unless it is the sale of new residential premises that are taxable supplies. You are not required to pay GST on input taxed supplies you make, nor are you entitled to claim GST credits for purchases relating to input-taxed supplies.

EXISTING RESIDENTIAL PREMISES - You cannot claim GST credits for anything you purchase for the sale of existing residential premises and you are not liable for GST on the sale. If you sell residential premises they are input taxed unless the property is new (see "new residential premises").

NEW RESIDENTIAL PREMISES - Residential premises are new when any of the following apply. 1. they have not been sold as residential premises before 2. they have been created through substantial renovations, or 3. new buildings replace demolished buildings on the same land. Residential premises are no longer new residential premises if they have been continuously rented for five years after first becoming new residential premises. You can claim GST credits for any acquisitions you make for the sale of new residential premises (subject to the normal rules on GST credits) and you are liable for GST on the sale. If GST applies to your sale of new residential premises, you generally pay GST of one eleventh of the sale price. You may be eligible to use the margin scheme to work out how much GST you must pay.

INPUT TAXED SALES - You do not have to pay GST on input taxed sales you make and you cannot claim GST credits for purchases relating to input taxed sales. Two of the most common types of input taxed sales are: 1. financial sales (supplies) 2. supplies of existing residential premises.

GST INPUT CREDITS - You can claim GST credits for the GST included in the price of purchases you make to use in your business (subject to the normal rules on GST credits). You cannot claim a credit for the part of the purchase you use for private purposes or generally to make input taxed sales nor can you claim a credit for land purchase under the margin scheme.

PROPERTY (real property) For GST purposes, property includes: land, land and buildings, interest in land, rights over land, contractual rights over land and the licence to occupy land.

MARGIN SCHEME - You can choose to use the margin scheme when you make a taxable sale of property. You must pay GST on one-eleventh of the margin for the sale, not one-eleventh of the sale price. You cannot use the margin scheme if you purchased a property as a taxable sale and that did not also use the margin scheme.

TAXABLE SALES (supplies) - You make a taxable sale if you are registered (or required to be registered) for GST and: 1. you make the sale in the course of or to further, a business you carry on, 2. the sale is connected with Australia. A sale is not taxable if it is GST-free or input taxed. You must pay GST on taxable sales you make. You can claim GST credits for the GST included in the price of purchases you use to make taxable sales (subject to the normal rules on GST credits).

PURCHASES (acquisitions) - For GST, a purchase or acquisition includes an acquisition of goods or services such as trading stock, a lease, consumables and importations.