

One bit of paper to save tax

Richard Young

A new property law that has been hyped in the media as bizarre and shocking is set to take effect on July 1 — but for the vast majority of buyers, it simply means obtaining one extra piece of paperwork.

The new law, which is aimed at reducing tax avoidance amongst foreign residents, will require all sellers of homes sold for \$2 million or more to produce a “tax clearance certificate”, which will verify they are not a foreign resident for the purpose of the new measures.

Without this certificate, the seller will be treated as a foreign resident, regardless of their citizenship or the length of time they have lived in Australia.

In this case, a 10 per cent non-final withholding tax will be paid following the sale of the property.

The tough new measure is a bid by the government to overcome low levels of voluntary compliance of capital gains tax among foreign residents who sell property in Australia.

The amount paid to the Commissioner is not a final tax, and it will be credited against a person's Australian tax liability once a tax return has been lodged.

The good news is that the necessary paperwork can be obtained easily, and without hassle. The Australian Taxation Office is implementing an automated process for issuing clearance certificates, which can be applied for by the seller, or the seller's agent, online.

The certificates can be applied for at any time, without cost, and are expected to be valid for 12 months.

For Australian residents who are selling property in this price bracket, the most important fact to remember is that so long as you obtain your tax clearance certificate, you will have absolutely no problems.

You simply need to take the appropriate steps and to ensure compliance with the law.

The tax office has indicated that, in straightforward cases, the clearance certificates are expected to be provided within days of the application being made.

For buyers purchasing a property for \$2 million or more, your settlement agent will need to obtain a clearance certificate from the seller, or pay the prescribed amount to the tax commissioner.

The relevant amounts must be paid on or before the day the purchaser becomes the owner of the property.

Richard Young is chief executive of Caporn Young

10%

VALUE OF NEW WITHHOLDING TAX FOR HOUSE SALES OVER \$2 MILLION