



THE TAX INSTITUTE

15 December 2017

The Hon Kelly O'Dwyer MP
Minister for Revenue and Financial Services
The Treasury
Langton Crescent
PARKES, ACT 2600

By email: kelly.odwyer.mp@aph.gov.au

Dear Minister,

Re: GST on Property Transactions

The Tax Institute has been advised that the GST on Property Transactions measure was not introduced into Parliament this year due to the Government's other legislative priorities. We understand that the Bill will now likely be introduced at some stage during the autumn Parliamentary sittings next year.

Though the introduction of the Bill to the Parliament will now be delayed, we understand that at this stage the proposed commencement day for the new regime remains as 1 July 2018. If the Bill is indeed introduced during the autumn Parliamentary sittings, this will leave a very short lead time of 3 to 4 months from introduction of the Bill (not to mention passage) to the commencement of the measures on 1 July 2018.

The Tax Institute is concerned that this time frame is too short to enable –

- (a) The ATO to appropriately educate all affected taxpayers (including consumer purchasers) of their obligations under the new regime and the penalties they face if they don't comply;
- (b) All parties impacted by this measure (including the ATO) to make the commercial, legal, systems and settlement process changes necessary to ensure its smooth implementation.

For this reason, we request that the commencement date for these new measures be deferred by 3 to 6 months to allow all affected parties to properly prepare for and implement the required changes.

In support of this request, the following is a list of issues that will need to be addressed by various parties in the lead up to the commencement of the new regime:

- Changes to standard sales contracts will need to be made (and circulated) to reflect the requirements of the new regime.
- Conveyancers, financiers, legal advisers and other entities involved in settlement of property sale transactions will need to understand and implement changes to cater for the new settlement process.
- Accounting systems of the vendors will need to be modified to cater for the changes.
- The ATO will need to roll-out an education program to ensure that vendors, consumers and intermediaries such as conveyancers are aware of their responsibilities under the new regime.
- The ATO will need to implement and test its own system changes before the commencement date.
- Vendors with long-term contracts and development agreements will need to assess how the measures and, in particular, the transitional provisions will impact their existing contractual arrangements.
- Vendors will need to understand and assess the impact of the measures on their cash flow position and may need to take steps prior to the commencement date to manage the impact on their financial arrangements with banks and other providers.

The points above provide a snapshot of the range of issues that will need to be addressed in the lead up to the commencement of these measures.

The Tax Institute is concerned that the likely period of time between the enactment of the legislation and the proposed commencement date is too short to allow an orderly transition to the new regime. By way of comparison, the Bill that gave effect to the new CGT withholding regime was introduced into Parliament on 3 December 2015, which gave taxpayers just under 7 months to prepare for its commencement on 1 July 2016.

Please contact either myself or Senior Adviser Bruce Quigley on (02) 8223 0011 if you would like to discuss this matter further.

Yours sincerely



Prof. Robert Deutsch
Senior Tax Counsel