

SMSFs and GST



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Do I need to register my SMSF for GST?

Most SMSFs won't need to register for GST.

The reason is that most funds don't have sufficient 'turnover'. In the case of SMSFs, turnover is generally limited to rental income from property used for commercial purposes. This also includes rental income from business assets such as machinery. It does not include rental income from residential property.

Where the annual turnover exceeds \$75,000, an SMSF is required to register for GST. A fund can also register voluntarily where turnover is below the threshold.

Which transactions include GST?

Where a fund is registered for GST, it is required to charge GST on income from leasing commercial property. It will also need to lodge an annual or quarterly GST return with the ATO.

The percentage of GST claimable for purchases and expenses falls into three groups:

	100% claimable	75% claimable	Nil claimable
Commercial property purchase, incl. legal fees	✓		
Commercial property expenses	✓		
Actuarial fees		✓	
Administration fees (excl. tax return fees)		✓	
Brokerage		✓	
Investment management fees		✓	
Audit fees			✓
Bank charges			✓
Fees to prepare tax returns and activity statements			✓
Residential property purchase and expenses			✓

In relation to commercial property, government fees such as land tax, council and water rates are GST free and as such the fund cannot claim GST on these items. However, where these outgoings are charged to the tenant, GST must be added.

What are the considerations in relation to commercial property?

Where an SMSF is purchasing or selling a commercial property and at least one of the parties is registered for GST, generally one of the following scenarios will apply.

The seller is registered for GST but the buyer is not registered for GST

GST will need to be added to the purchase price, but the buyer is not able to claim the GST.

The seller is not registered for GST but buyer is registered for GST

GST is not added to the sale price and therefore the buyer is not able to claim GST on the purchase.

Both seller and buyer are registered for GST

The seller is required to add GST to the purchase price and the buyer will be able to claim the GST.

Both the seller and buyer are registered for GST and the property is sold as a going concern

In these circumstances the sale is GST free. GST is not added to the sale price and subsequently cannot be claimed. This may apply to a tenanted building where the tenant continues to rent the premises after the sale. A number of criteria need to be met including:

- Payment is made for the purchase
- The buyer and seller have agreed in writing the sale is of a going concern
- The seller supplies all things necessary for the continued operation of the business and carries on the business until the day of the purchase

Where the SMSF owns a commercial property and is registered for GST, the fund will be required to remit GST on the rental income it receives.

Does GST apply to residential property development?

In most cases an SMSF cannot claim GST back on transactions in relation to residential property and is not required to add GST on the sale of a residential property.

One exception is where an SMSF develops a new residential property with the intention of selling it. Residential premises are new when any of the following apply:

- They have not been sold as residential premises before
- They have been created through substantial renovations
- New buildings replace demolished buildings on the same land

The SMSF can generally claim GST credits on construction costs in relation to new residential premises and the SMSF is liable for GST on the sale.

Can I cancel my SMSF's GST registration?

If your SMSF does not meet the annual GST turnover, you may cancel the fund's GST registration. However, if you have previously claimed GST, an adjustment period will apply. This may mean the SMSF will be required to pay back GST claimed during prior years. The adjustment period is a maximum of 10 years and depends on the value of assets purchased on which the fund has previously claimed GST.

You should make sure you speak to a tax specialist before cancelling the GST registration.

Further information



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