



Purchasing a retirement village as a GST-free going concern

Find out when you may need to pay GST if you continue to operate the retirement village.

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If you purchase an operating retirement village as a GST-free supply of a going concern, you will have an increasing adjustment for GST if you plan to make input taxed supplies through the village. An example is if you lease accommodation to residents of the retirement village.

The increasing adjustment is worked out as:

- 10% of the sale price × proportion of non-creditable use.

The input taxed supplies you make are a non-creditable use. The sale price will include the value of any resident loans (also known as in-going contributions) if you take on the repayment obligation to the residents.

If the proportion of non-creditable use changes over time, you may need to make additional increasing or decreasing adjustments on your BAS.

Example: operating retirement village as a GST-free going concern

Wren Pty Ltd (Wren) acquires an established operating retirement village, that makes input taxed supplies of accommodation, as a supply of a going concern.

The village also makes taxable supplies of leasing out small retail spaces to a café, hairdresser and doctor which make up 1% of

the intended supplies made by the village. The acquisition price was \$1.2 million, with the acquisition also including Wren taking on the repayment obligation for in-going resident contributions with a value of \$10.5 million.

As Wren will continue to supply input taxed accommodation in the independent living units, Wren uses the village for a non-creditable use and will have an increasing adjustment.

The sale price will be \$1.2 million plus the value of the residents' in-going contributions of \$10.5 million. The non-creditable use will be 99% (as 1% will be taxable leases). The additional GST payable by the purchaser will be:

- $10\% \times 11.7\text{m} (1.2\text{m} + 10.5\text{m}) \text{ sale price} \times 99\% \text{ (non-creditable use)} = \$1.158\text{m}.$

For more information, see:


- Retirement villages and tax
- Sale of a business as a going concern
- Selling a going concern
- Goods and Services Tax Ruling GSTR 2002/5 *when is a 'supply of a going concern' GST-free?*

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