

COMMONWEALTH OF AUSTRALIA

A NEW TAX SYSTEM (GOODS AND SERVICES TAX) ACT 1999

**A NEW TAX SYSTEM (GOODS AND SERVICES TAX) MARGIN SCHEME
VALUATION REQUIREMENTS DETERMINATION (NO. 2) 2000**

Under paragraph 75-10(3)(b) of the *A New Tax System (Goods and Services Tax) Act 1999* and subsection 4(1) of the *Acts Interpretation Act 1901*, I make the following determination:

Citation

1. This determination may be cited as the *A New Tax System (Goods and Services Tax) Margin Scheme Valuation Requirements Determination (No. 2) 2000*.

Commencement

2. This determination commences on the date the *A New Tax System (Goods and Services Tax) Act 1999* commences.

Circumstances in which the Determination will apply

3. This determination will apply where you acquired the freehold interest in land, stratum unit or long-term lease before 1 July 2000 and you:
 - (a) make a taxable supply of real property by:
 - (i) selling a freehold interest in land; or
 - (ii) selling a stratum unit; or
 - (iii) granting or selling a long-term lease; and
 - (b) you choose to apply the margin scheme in working out the amount of GST on the supply for partly completed premises as at the valuation date.

Requirements for making valuations for the purposes of Division 75

4. The valuation of partly completed freehold interest, stratum unit or long-term lease mentioned in paragraph 75-10(3)(b) can be determined in accordance with any one of the following methods:

Method 1: the value of the property determined in writing by a professional valuer in accordance with the method described in clause 5; or

Method 2: the value determined under the costs of completion method.

Method 1: Value as determined by a professional valuer

5. (1) The valuation must be provided by a professional valuer.

- (2) The valuer must have regard to:
- (a) the market value of the completed premises;
 - (b) the cost to complete the partly completed premises; and
 - (c) the profit margin and holding costs that are attributable to the period on or after the valuation date.

Method 2 – Value as determined using costs of completion method

6. (1) This method requires you to calculate the costs incurred prior to the valuation date as a percentage of the total costs of completion.
- (2) Costs incurred are calculated on the basis of absorption costing and you must include the following costs in this method:
- (a) land at cost;
 - (b) direct construction costs;
 - (c) internal infrastructure costs;
 - (d) external infrastructure costs directly related to the property.
- (3) Costs that you must not include in this method are:
- (a) administrative costs that cannot be directly related to the property; and
 - (b) holding costs, such as rates and taxes, or interest on borrowings to acquire or develop the property.
- (4) The value is this percentage calculated in accordance with clause Sub clause 6(1) above applied to the consideration for the supply of the property and will only apply to supplies of property that occur on or before 1 July 2005.

Definitions

7. (1) The following expressions are defined for the purposes of this determination:
- completed premises*** means premises that are not partly completed premises;
- partly completed premises*** means in relation to:
- (a) a subdivision plan, where the linen plan has not been approved by the local government authority;
 - (b) a building unit or strata title plan, where a certificate of completion or a certificate of occupancy has not been issued by the local government authority;
 - (c) the construction or major reconstruction of a building, where the building is still under construction;
- professional valuer*** means a
- (a) a person registered or licensed to carry out property valuations under a Commonwealth, State or Territory law;

- (b) a person who carries business as a valuer in a State or Territory where that person is not required to be licensed or registered to carry on a business as a valuer; or
- (c) a member of the Australian Property Institute and is accredited as a Certified Practising Valuer.

(2) Other expressions in this determination have the same meaning as in the *A New Tax System (Goods and Services Tax) Act 1999*.

Signed this 23rd day of June 2000

Lawrie Hill

Assistant Commissioner

Rulings

Goods and Services Tax Program

Delegate of the Commissioner