


***TD 93/D134 - Income tax: capital gains: does New Zealand Goods and Services Tax (GST) incurred by an Australian taxpayer on the acquisition of a New Zealand property form part of the cost base of that property?***

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Draft Taxation Determinations (TDs) represent the preliminary, though considered, views of the ATO. Draft TDs may not be relied on; only final TDs are authoritative statements of the ATO.

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## Taxation Determination

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### **Income tax: capital gains: does New Zealand Goods and Services Tax (GST) incurred by an Australian taxpayer on the acquisition of a New Zealand property form part of the cost base of that property?**

1. Yes. Under the provisions of section 160ZH of the *Income Tax Assessment Act 1936*, the cost base of an asset includes the amount of incidental costs incurred by a taxpayer in the acquisition of an asset. Incidental costs, as defined in paragraph 160ZH(5)(b), cover costs of transfer. New Zealand GST is considered to be a cost of transfer.

2. Under the New Zealand GST legislation, the purchaser of any property in New Zealand becomes liable for the GST on settlement. At the time of settlement, the purchaser pays the GST to the seller who then pays it to the New Zealand Inland Revenue.

*Example:*

*ABC Pty Ltd, an Australian company, buys a property in New Zealand for \$500,000. It pays New Zealand GST of \$62,500 to the seller and incurs other incidental costs of \$20,000.*

*The cost base includes the following amounts:-*

<i>Purchase price</i>	<i>\$500,000</i>
<i>GST</i>	<i>\$ 62,500</i>
<i>Other costs</i>	<i><u>\$ 20,000</u></i>
<i>Cost base</i>	<i><u>\$582,500</u></i>

**Commissioner of Taxation**

3/6/93

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FOI INDEX DETAIL: Reference No.

Subject Ref: Cost base; Goods and Services Tax; GST; New Zealand property

Legislative Ref: 160ZH(1); ITAA 160ZH(5)

ATO Ref: A&R MELB (CGTDET 65)

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ISSN 1038 - 3158