



A New Tax System (Goods and Services Tax) Margin Scheme Valuation Requirements Determination MSV 2005/2

Explanatory Statement

General Outline of Instrument

This determination specifies requirements for making valuations for the purposes of the margin scheme under paragraph 75-10(3)(b) of the *A New Tax System (Goods and Services Tax) Act 1999* ('the GST Act').

The determination is a Legislative Instrument for the purposes of the *Legislative Instruments Act 2003*. It is made by, and is legally binding upon, the Commissioner of Taxation.

Date of effect

This determination commences on 1 July 2005 and applies to valuations made for the purposes of applying the margin scheme in working out the amount of GST on taxable supplies made on or after 1 July 2005.

What is this instrument about?

Under Division 75 of the GST Act, the margin scheme may be applied to work out the GST on certain supplies of real property. The GST worked out under the margin scheme is 1/11th of the 'margin' for the supply.

In specified circumstances, the margin for the supply is the amount by which the consideration for the supply exceeds a valuation of the relevant freehold interest, stratum unit or long-term lease at the valuation date, commonly 1 July 2000 (the date of commencement of GST). The valuation must comply with any requirements determined in writing by the Commissioner for making valuations for the purposes of Division 75 of the GST Act.

This determination specifies requirements for making valuations for that purpose.

What is the effect of this instrument?

This determination extends the operation of the costs of completion valuation method contained in *A New Tax System (Goods and Services Tax) Margin Scheme Valuation Requirements Determination (No. 2) 2000*. Under that determination, the costs of completion method could be used to value premises that were partly completed at the valuation date. However, the costs of completion method could not be used for supplies made after 1 July 2005.

The condition that the costs of completion method could not be used for supplies made after 1 July 2005 could operate harshly where a supplier had entered into a contract on the basis that the supply would be made by 1 July 2005, but for whatever reason, settlement is delayed until after that date. In these circumstances, without this determination, it would be necessary for the supplier to incur additional valuation costs.

To make compliance with the valuation requirements easier and cheaper in these circumstances, this determination extends the availability of the costs of completion method to supplies made after 1 July 2005 where:

- (a) the supplier entered into a contract for the supply of property before 1 July 2005, but the supply under the contract is made after that date; and
- (b) the supplier would have been able to use the costs of completion method in accordance with the *A New Tax System (Goods and Services Tax) Margin Scheme Valuation Requirements Determination (No.2) 2000* but for the supply being made after 1 July 2005 .

Consultation:

This valuation method has been the subject of consultation with the Australian Taxation Office's Tax Professionals Industry Partnership (TPIP) and GST Property & Construction Industry Partnership (P&CIP) and the Indirect Taxes Rulings Panel.

Commissioner of Taxation

27 June 2005

Related Rulings/Determinations:

GSTR 2000/21

GSTR 2000/21A

GSTR 2000/21ER

Subject references:

freehold interest
long-term lease
margin
margin scheme
real property
stratum unit
taxable supply
valuation

Legislative references:

ANTS[GST]A Div 75

ANTS[GST]A 75(10)(3)

ANTS[GST]A 75(10)(3)(b)

Other references:

A New Tax System (Goods and Services Tax) Margin Scheme Valuation Requirements Determination (No. 1) 2000.

A New Tax System (Goods and Services Tax) Margin Scheme Valuation Requirements Determination (No. 2) 2000.

A New Tax System (Goods and Services Tax) Margin Scheme Valuation Requirements Determination MSV 2005/1.

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