

Property Sub-Division

Dear Client

Further to our meeting last week we attach calculations of the cash and taxation implications of the proposed land subdivision and building of principal residence for yourself. We suggest that we meet to discuss the calculations to ensure you understand the figures.

For completeness we advise the following in regard to GST issues. We note that GST is only an issue if you are required to register. Registration is required where you are carrying on an enterprise and your turnover is greater than \$75,000. Whilst the sale of the land exceeds this threshold, the ATO have ruled that the mere subdivision and sale of a principal residence land does not amount to an enterprise. Accordingly we advise that there is no GST on the sale of the land.

In regard to building a principal residence on the remaining land, as this is private and domestic activity there are no GST implications. Should a buyer approach you to purchase the house once built we understand that as long as your intention was to live in it and you did in fact live in it for say 3 months there would be no GST implications for the sale. Of course should this sale eventuate we would need to reconsider the facts that transpire to confirm this advice.

Please contact our office to set up a meeting to discuss the calculations.