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GST PERSPECTIVES AND REAL PROPERTY

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ABSTRACT

The real property industry in Australia is one that intersects the boundaries of many aspects of taxation. The Goods and Services Tax (GST), is a broad based tax of 10% which applies to goods and services supplied and expended, including real property transactions such as commercial and residential property.

The complexity of GST for real property is highlighted with the varying treatment of commercial and residential sales and rental. The sale of a commercial property is classified as either a taxable supply or a GST free supply; whilst the commercial rent is considered a taxable supply only. However, residential property sales and residential rent is generally considered an input taxed supply unless the property is sold as new residential where the application would be a taxable supply. Vacant land can fall into all three classifications of taxable supply, input taxed supply and GST-free supply. Farmland can generally be considered a GST-free supply but there are some exemptions which might require the treatment to be a taxable supply.

Therefore, this research paper examines a number of interrelated areas concerning GST legislation for real property and critiques the application of GST to stakeholders in commercial and residential buildings. It is argued that GST can influence the price of real property and questions the validity of sales data available to valuers for the purpose of preparing valuation reports.

KEYWORDS: GST, real property, commercial, residential

INTRODUCTION

The real property industry in Australia is one that intersects the boundaries of many aspects of taxation. Ownership of real property, for example, may be as simple and straight-forward as ownership of the family home or an investment property by individuals, or as complex as ownership of investment properties through companies, trusts and unit funds. Thus ownership of real property may involve taxation matters relevant to capital gains tax, small business taxation, company taxation and goods and services tax.

Real property may be income producing – therefore, taxation laws relating to the deductibility of items and negative gearing of real property are pertinent. Improvements constructed on real property generally depreciate in value over 40 years if certain conditions are met, and specific items within the improvement are treated as assets which decline in value over a time frame of less than 40 years.

A fundamental reform of Australia's taxation system occurred when GST was introduced in July 2000. The primary aim was to reduce the tax burden on ordinary incomes (e.g. salary and wage earners to receive a reduction in their marginal tax rates), by transferring some of the tax burden over to consumption (e.g. supply of goods and services) and to remove wholesale tax and some state and territory taxes. The Goods and Services Tax (GST), is a broad based tax of 10% which applies to goods and services supplied and expended, including real property transactions such as commercial and residential property.

The complexity of GST for real property is highlighted with the varying treatment of commercial and residential sales and rental. For example, the sale of a commercial property is classified as either a taxable supply or a GST free supply; whilst the commercial rent is considered a taxable supply only. However, residential property sales and residential rent is generally considered an input taxed supply unless the property is sold as new residential where the application would be a taxable supply. Vacant land can fall into all three classifications of taxable supply, input taxed supply and GST-free supply. Farmland can generally be considered a GST-free supply but there are some exemptions which might require the treatment to be a taxable supply. These significant differences between the treatment of GST for real property is dependant on the GST status of the vendor and the category of supply sold to the purchaser. However, the valuer who uses historical sales data to determine a comparable sales analysis and to determine the capitalisation rate method for commercial properties is provided with little evidence or information with regards to the GST status of the vendor, or the GST component in the recorded sale price of properties.

In general, the valuer will access existing market sales evidence for comparison with the nominated property being valued. This sales evidence can be sourced from auction information, real estate agents, the valuers knowledge and the valuers own historical data base, and also from public and private sales records. If the valuer is not provided with the GST status of the sale transaction, in some situations there would be difficulty for the valuer to ascertain whether or not the property price used as market evidence was inclusive of GST or exclusive of GST.

Therefore, this research paper examines a number of interrelated areas concerning GST legislation for real property and critiques the application of GST to stakeholders in commercial and residential buildings. The research in this paper aims to identify the disparity of GST applicable to real property when in some instances, the application of GST is dependant on the GST status of the legal owner of the property.
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The first part of the paper discusses the literature for taxation levied on real property, together with considerations affecting the value and price of the property. The research then leads into the next part of the paper where Australia's Commonwealth taxation application for GST on supplies and acquisitions is critiqued and various recommendations are also included in the discussion. This research excludes GST concessions available for long-term residential accommodation as the GST rules applicable are beyond the scope of this paper. It is argued that GST can influence the price of real property and questions the validity of sales data available to valuers for the purpose of preparing valuation reports.

LITERATURE REVIEW

The broad-based consumption tax, GST, which was introduced into Australia on the 1st July 2000 by the then Liberal Government, was originally proposed during the 1985 Tax Summit by a Labour Government. However, due to pressure from welfare groups and businesses opposed to the suggestion, the Labour Government did not proceed with consumption tax, but did in fact proceed with the introduction of capital gains tax and fringe benefits tax. (CCH 2011).

Whilst the Liberal Government during the late 1990s stated that "GST would never become part of Liberal Party Policy" (Wikipedia 2011) this policy changed with the Ralph Report recommendations which were publicly released on the 21st September 1999.(Drum 1999). The report contained a detailed enumeration and analysis on the adequacy of the current business income tax policy together with a complementary investigation into accompanying legislation and administrative processes. The culmination of the Ralph Report was a delineation on how best to effect the Government's proposals outlined in "A New Tax System". To conciliate the introduction of GST, the state and territory governments of Australia entered into an agreement with the Commonwealth, that revenues raised by the GST would be distributed back to the states and territories, who in turn would gradually remove their duties, levies and taxes on consumption.

Researchers have argued that GST is a regressive tax because lower income earners are adversely affected since a higher proportion of their income is consumed with tax, in comparison to those who are earning a higher income. Dixon and Rimmer (2000) argued that the introduction of GST was "failure in policy formulation" and should not have been considered the "central component" of tax reform. Another approach considered by Creedy (2002) was the examination of a variety of structures in the pre-GST and post-GST regimes He argued that "separate taxes should not be examined in isolation" and concluded that indirect taxes generally generated a small increase in the measure of inequality with household expenditure, but Creedy did not continue with the research to include real property. Interestingly, Blount (2000), sought to discover patterns for public opinion on a range of tax issues in Australia, including the introduction of GST, and concluded that taxpayers preferred "higher indirect taxes" with an "aversion to visible taxes". Later, Feld and Schneider (2003) argued that the more complex the taxation system is for a country, then there is a greater chance that the perceptions of the consumer will be towards their true tax burden and therefore their tax resistance is lessened. A comparison of property taxes for residential development in Sydney and Taipei concluded that taxes affect the price of Sydney properties but not so for Tapei (Chan, Chen 2011). Their study included commonwealth and state taxes and was restricted to the Sydney residential market only.

American studies over the years have attempted to link property taxes with property prices. For example, Bradbury, Mayer, Case (2000) examined property values assuming there was a property tax limit implemented together with a limit on the nominal annual growth of the property in Massachusetts, and surplus taxes could be invested into school funding. Their research concluded that purchasers were prepared to pay the increased taxes if the funds were syphoned towards school spending. This end result saw a negative outlook for housing demand and home prices. This theory is further supported by Ladd and Bradbury (1998) who discusses the importance of local property taxes in the US cities which rely on this income to finance their local public expenditure. Their research queried any valid links between local property taxes and the city's property tax base, and argued that income taxes could also affect property prices. Their theory was further supported with an empirical study undertaken which concluded that property values were affected by taxes against property.

The hypothesis that property prices are affected by property taxes was further reiterated by Madsen (2009) who also investigated the effects of taxes on house prices and concluded that in America, taxes were considered to be "highly influential" in determining the housing price stock. The American research has focused on the residential sector and little reference is provided for their commercial sector, which might indicate that in economic terms, the residential sector dominates over the commercial sector. This theory is supported with research undertaken in Australia using input and output tables and concluded that the residential sector played a more important role in the Australian economy (Song, Liu 2005).

Another approach for investigating the property tax and property price relationship was undertaken by Krmenec (1991), where he applied a simple accounting framework to determine patterns of property sales and property tax receipts. He separated the real growth (e.g. policy induced amount), from the apparent growth (e.g. induced by the consumer), and concluded that sales tax revenue would grow faster than property tax revenue because this was linked back to consumer spending which attracted higher sales tax in regions where it was highly populated with residential properties.

As early as 1956, a model developed by Tiebout hypothesised that consumers would select and shop for properties according to the location of and ease of the "production and consumption of local public goods" e.g. schools, shops etc with little regard to the price for these services. The Tiebout Hypothese was eventually extended in 1974 by Hamilton who linked the behaviour of economic agents to the local governments. Hamilton's argument was based on the premise that if consumers did "shop" for local public services then it stood to reason that local government elections would be unanimous if all of the residents were satisfied with the public service demands available to be utilised. In contrast, Henry (1974) acknowledged that many research studies indicated that property tax was highly regressive but he refuted this theory stating that many of the assumptions in the studies were not supported by “plausible theory”. He argued that property tax was “far less regressive than the most widely quoted evidence suggests” but conceded that lack of data would hinder the hypothesis that property tax is progressive.

Other studies in America capitalised the tax with property but there was little evidence provided to indicate whether rentals increased or decreased and if subsequently property values would decrease if rents were lowered. Oates (1969) concluded that “local property values bear a significant relationship to the effective tax rates”. These empirical studies provided a basis for further research which was continued by Pollakowski (1969) who undertook an analysis on local public spending and the consequential impacts on the residential property values. His model quantified the demand and supply variable in the housing market and also paid specific attention to the fiscal variable, and concluded that there was a highly significant negative impact between property taxes and property values. In contrast Edel and Sclar (1974) considered the supply adjustment with local public goods such as schooling in relation to house values, local taxes and service delivery in the Boston area, and acknowledged difficulty with the viability of Oates model, when using the capitalisation approach. To support this theory further, Krantz, Weaver, Alter (1982) researched the capitalisation model using the effective tax rates as a measure of the tax burden for property owners and concluded that 60% of the tax changes were incorporated into the value of the residential properties sampled. Historically research has highlighted the role of taxes in the models developed for house prices confirming their major influence for user costs of capital. (Kearl 1979, Dougherty and Order 1982, and Poterba 1984). Therefore, there are various studies both nationally and internationally which recognise this link between property taxation and property prices.

Another different approach to investigate the relationship between property tax and property price was undertaken by Berry (1997) who examined the differences between state tax capacity and tax effort. He defined the “tax capacity” as the “capability of a governmental entity to finance its public services” and “tax effort” as the “extent to which a government utilizes its tax capacity”. He concluded that there were a number of different ways to measure this requirement and not necessarily a function of error and researchers. This approach acknowledges the correctness of research relating to the Tiebout Hypothese and provides answers for the disparity within the conclusions from various researchers. It is argued that depending on the government’s budget and public spending priorities, a link with property tax and property price is maintained

It is usual to assume that real estate is illiquid, and buildings will decline in value with land increasing in value. In other words, buildings reduce in market value (Weber 2002). Depreciation is recognised for both capital equipment and the building improvements as this is a function of the buildings economic life. Rental income will diminish over time and therefore the values will decline as the building nears towards obsolescence, however it can be argued than an “older building’s structural components and configurations may meet the expectations and needs of tenants” (Weber 2002).

Whilst the research discussed relates primarily to residential properties, Anderson (1993) investigated the property tax treatment for agricultural land owners by using the “use-value” method of assessment. This is where the property is valued on the presumed use for the purposes of taxation. The “use-value” method ignores considerations such as “other potential” use of the property and assumes continuation in its present use. The findings included impact and timing issues for land development and property prices. Continuing with non residential research the impact of e-commerce on commercial and retail sales and rentals was investigated. Baen (2000), considered the theory that if retail sales were more off-site and purchased via e-commerce, then eventually retail shopping centres would need to rethink through their rental approach within the shopping mall and make recommendations to counter act the possibility of long term value implications if anchor tenants had less people passing through their shops which eventually would lead to a negative impact on the small retail outlets. The relationship between e-commerce and property taxation is to demonstrate the “uncertainty” of outside influences which can impact on property prices.

The introduction of GST as a broad based tax in Australia was part of the governments tax reform strategy, whilst admittedly this also included a bonus with the obvious revenue collected by the Commonwealth. However, research presented in this paper, nationally and internationally which investigates the link with property taxes and property prices is based on state and territory property taxes which are uniform for all householders in the relevant residential markets. In contrast, Australia’s Commonwealth taxation system, GST, is partly uniform for the residential market and different for the non-residential market. For example, in Australia, second hand residential properties and residential rent is not subject to GST, whereas new residential properties are subject to GST implications.

TAXATION CONSIDERATIONS

This section of the paper primarily refers to real property such as houses, flats, units, shops, factories, office space, other commercial and provides an overview of the Australian Business Number and GST requirements that are applicable to real property transactions. A critique where justified is applied again the GST rules and highlights concerns with the sales evidence figures available to the valuer for their market valuation report.

Australian Business Number and GST registration

The Australian Business Number (ABN) is a unique 11 digit identifier, that all entities carrying on an enterprise in connection with Australia are required to have, regardless of their annual turnover (Author 2010). An entity can include an individual, partnership, company, trust, or a superannuation fund. Therefore, regardless of the amount of money earned, or profits or loss, the ABN application is mandatory. Once an entity has established the requirement to obtain an ABN, the GST registration status must also be considered.

Currently if the entity has an annual turnover of $75,000 or over, or $150,000 or over for non-profit organisation, then it is compulsory for the entity to register for GST. The annual turnover is calculated by both of the following methods:

1. The *current annual turnover* – the entity adds their current months supplies to the previous 11 months supplies (regardless if this falls into a different financial year), and
2. The *projected annual turnover* – the entity adds their current month's supplies to the next 11 month supplies (regardless if this falls into a different financial year.)

It is also possible to register for GST voluntarily if the entity is under the threshold. Within the GST regime, reference is made to the terms "supply" and "acquisition". The term "supply" refers to the inflow of money into a business, which can include revenue or capital items. For example rent received from an investment property is considered to be a supply; likewise the sale of the investment property is also considered a supply for the owner. Whilst the "revenue" supply is included in the annual turnover calculation, the "capital" supply is never included in the annual turnover calculation. The term "acquisition" refers to the outflow of money from a business, which can include expenses or capital items. For example, a landlord might incur plumbing expenses or might incur a capital outlay of replacing the roof.

An entity owning income producing real property is considered to be carrying on an enterprise and therefore is required to obtain an ABN. Whilst it is acknowledged that all rent is a supply, it is necessary to separate the residential and non-residential rent because residential rent is never included in the annual turnover calculation – the details are discussed fully in the next part of the paper. Furthermore, if an entity only owns residential income producing real property then it is not necessary to obtain an ABN because residential investment properties are not subject to GST.

With regards to the research theme for this paper, it is these different GST applications for residential and non residential properties which contributes to the foundation for inaccuracies with the market sales evidence used by valuers for comparison with the nominated property being valued. An entity owning non residential properties has a choice for GST registration if under the threshold, which in turn impacts on the rental amount charged for the non-residential properties and the sales evidence used to determine the capitalisation rate for the property. Similarly, the research paper will identify the GST treatment for the sale of non-residential property and highlight the disparity with the final figure reported as sales evidence which is eventually used by the valuer. It is therefore questionable whether the market evidence provides accurate information.

Below is an overview of the three different types of supplies applicable within the GST regime (CCH 2011 v1-3 and CCH 48th Ed), followed with mathematical examples and charts demonstrating the inconsistency of property prices which vary according to the GST status of the entity selling the real property.

Taxable Supply

A taxable supply is considered to have a GST component if the vendor is registered for GST, or required to be registered for GST. For example an entity owns a non-residential property and receives rental income. If the entity is registered for GST or required to be registered for GST, then the rent must include a GST component. Equally if registered for GST, then the GST credits on all acquisitions relating to this taxable supply can be claimed back as a refund from the Australian Taxation Office. Another example within the taxable supply category is new residential premises.

The premises will be considered new residential if the property has not been sold as residential premises previously; or the premises have been created through substantial renovations; or new buildings have replaced demolished buildings which were previously on the same parcel of land. The property developer can claim a refund for any GST credits relating to the acquisition of the development and likewise the sale price of the development to the consumer must include a GST component. There are also varying exceptions to the new residential rule if the developer has held the residential premises for more than five years, then the sale of the premises is considered an input taxed supply and GST is not applicable on the sale, and likewise GST credits are not available for acquisitions relating to the sale of the input taxed supply.

The sale of non-residential property with vacant possession, is also considered a taxable supply. It is possible to claim the GST credits on the acquisitions relating to the selling of the property e.g. legal fees, agents commission, advertising expenses. However, if the vendor is not registered for GST, or not required to be registered for GST, then the sale price has no GST component and similarly GST credits cannot be claimed from the acquisitions. Another disparity to the non-residential sale would be if the entity decided to sell their investment property under the margin scheme or with the lease as part of the contractual agreement for the sale of the property. These two scenarios are discussed later in this paper.

There is also a GST concession available for long-term commercial residential accommodation, for example, hotels, motels, hostels, boarding houses, caravan parks and camping grounds, which are also considered a taxable supply. Similarly, retirement villages and serviced apartments have separate rules and concessional requirements with regards to GST, and it is considered beyond the scope of this paper to go into these specifics and warrants further research in its entirety.

Input Taxed Supply

In general, second hand residential properties are considered an input taxed supply. This includes an improvement, such as a house, apartment, unit and flat which can be occupied, are occupied or intended to be occupied as residence. The supply never has a GST component, and the GST credit from the acquisition can never be refunded as the GST credit relates to an input taxed supply. For example, expenses (inclusive of GST), relating to an income producing residential property can be claimed as an allowable deduction on the rental schedule, however, the GST component on the acquisition cannot be refunded in its entirety.

In contrast vacant land is not considered an input taxed supply if sold by an entity carrying on an enterprise in connection with Australia. For example, if a developer sells vacant land it is a taxable supply as the developer is considered to be carrying on an enterprise in connection with Australia, and the developer must incorporate a GST component into the sale price. Whereas if a private individual sells their vacant land (original intention was to build their home), then this is not in connection with carrying on an enterprise, then the sale price will not include a GST component. Therefore, a valuer seeking sales evidence would need to ascertain whether or not the price for the land included GST or excluded GST.

For example, in Table 1, below, assume entity A is a property developer and sells their land for $330,000 with a $30,000 GST component, and entity B, who is not a property developer sells an identical parcel of land for $300,000 with no GST component as it is an input taxed supply. The GST consideration for the supply clearly influences the sales evidence recorded for the identical parcel of land if both entities aim to receive a net amount of $300,000 from the disposal of the supply (being the vacant land).

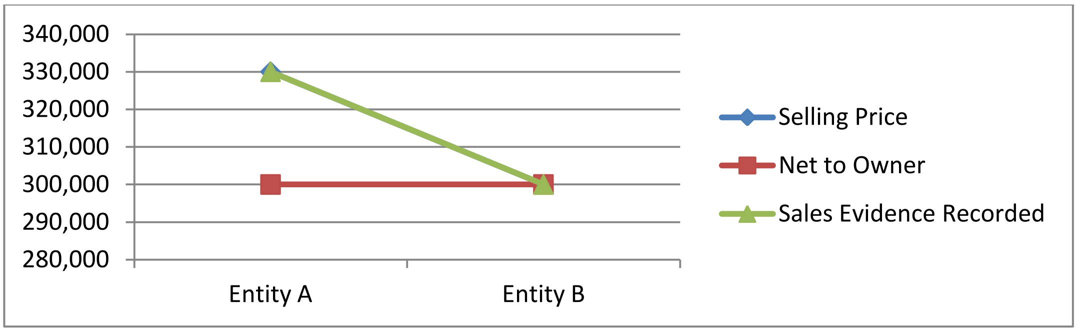
Table 1 – Sale of vacant land

	ENTITY A	**ENTITY B**
GST status	Property developer is registered for GST	Private individual
Selling price	**$ 330,000**	**$ 300,000**
GST	30,000	
Net to owner	300,000	300,000
Sales Evidence Recorded	330,000	300,000

Source: Hera Antoniades

The variance in the sale price recorded for the vacant land is also illustrated below as a chart which highlights the disparity of property prices recorded for the identical sale of two parcels of land where one parcel is treated as a taxable supply, and the other parcel is considered an input taxed supply.

Table 1.1 Chart highlighting the difference in the sales evidence recorded from data at Table 1.



Other examples categorised as an input taxed supply includes the sale or lease of a holiday home, however, premises which are mixed use, for example commercial use downstairs and residential use upstairs contain varying treatment with the application of GST when the property is sold and or leased.

GST Free Supply

Generally farmland is considered GST-free if the land was used as a farming business for at least 5 years immediately prior to the sale, and the purchaser intended to continuing using the farmland as a farming business. The sale of the leasehold of a business, or the sale of a commercial property with the leasehold is considered a "sale of a going-concern" and is therefore classified as a GST-free supply. For example, a commercial building is sold with the lease as part of the contractual agreement for the sale. The requirement for sale of a going concern must include a payment, the purchaser is either registered for GST or required to be registered, the vendor supplies all the necessary equipment and items for the business to continue operating, and both the vendor and purchaser have agreed in writing that the sale is a going concern.

Margin scheme

If real property were purchased prior to the introduction of GST, the vendor would not have acquired a GST credit, but if the real property was considered a taxable supply, and sold after 1st July 2000, a GST liability would exist on the sale transaction. Therefore, to correct this unfairness, the "margin scheme" provisions were introduced (Author 2006). Generally the margin scheme can apply to the freehold interest in land, a stratum unit or the granting or selling of a long term lease. Both the vendor and purchaser must agree in writing that the margin scheme will be adopted for the purposes of GST calculations.

Under the margin scheme the GST is calculated on the value that had been added to the property since the introduction of GST on the 1st July 2000. This method is referred to as the valuation method. Alternatively, under the consideration method, the GST calculation is 1/11th of the difference between the selling price and the price paid to acquire the real property, may also be selected by the vendor. A purchaser of real property, under the margin scheme, is generally not entitled to GST credits.

As demonstrated with the complexity of the GST application in Table 1, the sales evidence recorded for the sale of vacant land will have varying effects depending on the GST status of the entity. Another hypothetical example is now considered, where a non-residential property is sold at the same sales price of $550,000 but each entity has a different scenario as to their GST status. The following additional information is provided with regards to this GST status for each entity.

Entity A: The entity is registered for GST, but sells the non-residential property with vacant possession. This places the property as a taxable supply. The selling price of $550,000 must include a GST component of $50,000 which provides the vendor with a net amount of $500,000.

Entity B: The entity is NOT registered for GST, and sells the non-residential property with vacant possession. This places the property as a taxable supply, however, because the entity is not registered for GST, or required to be registered for GST, the selling price of $550,000 does NOT include a GST component. Therefore, the amount of $550,000 is the net amount to the owner.

Entity C: The entity is registered for GST, and sells the non-residential property as a "going-concern". This places the property as a GST-free supply. The selling price of $550,000 does NOT include a GST component. Therefore, the amount of $550,000 is the net amount to the owner.

Entity D: The entity is registered for GST, and sells the non-residential property under the GST Margin scheme. The entity uses the consideration method to calculate the GST liability for the transaction. If the entity purchased the property at $330,000 and is now selling the property at $550,000, the difference of $220,000 is divided by 11 to derive the GST amount of $22,000. Therefore, the amount of $528,000 is the net amount to the owner.

In Table 2 below, these four scenarios are summarised:

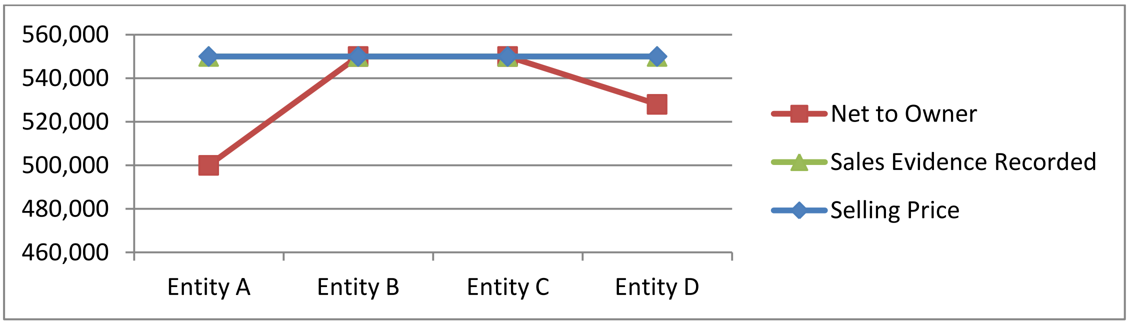
Table 2: Constant Selling Price

	ENTITY A	ENTITY B	ENTITY C	ENTITY D
GST status	Registered for GST	Not registered for GST	Registered for GST	Registered for GST
Leasehold information	Sells with vacant possession	Sells with vacant possession	Sold as a going concern	Sold under the margin scheme
Sale price	**$ 550,000**	**$ 550,000**	**$ 550,000**	**$ 550,000**
GST	50,000			*22,000
Net to owner	500,000	550,000	550,000	528,000
Sales Evidence Recorded	550,000	550,000	550,000	550,000

Table 2 Hera Antoniades

This table above assumes that the same property is sold for the same price, but with different GST status for each entity. This example demonstrates the varying amount received net to the owner of the property, if the property price is NOT influenced by the GST. Entity A is clearly disadvantaged by the GST, followed by entity D. This is also illustrated below as a chart depicting the decrease of funds to Entities A and D.

Table 2.1 Chart highlighting the difference in the net amount received by the owner if the selling price is constant.



Alternatively, with the same information from Table 2 and the incorporation of the following changes:

a) Net amount to owner is constant
b) Selling price will vary according to GST status for each entity

the sales evidence recorded will vary for entity A and D and stay constant for entity B and C. This is summarised below in tables 3.

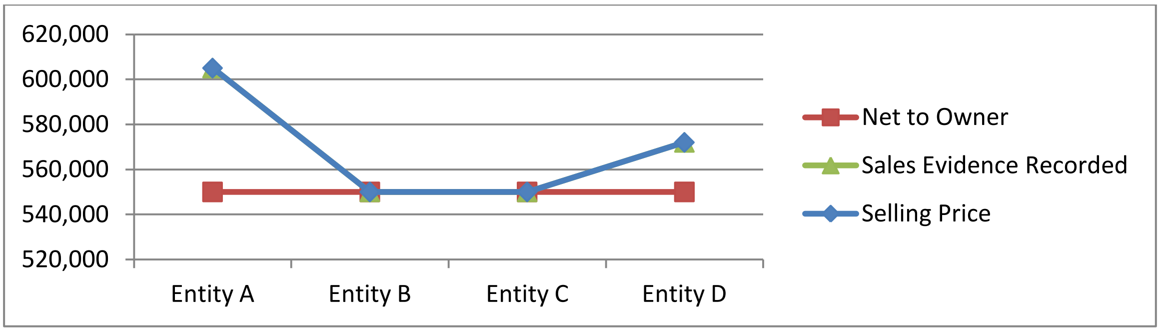
Table 3: Net amount to owner is constant

	ENTITY A	ENTITY B	ENTITY C	ENTITY D
GST status	Registered for GST	Not registered for GST	Registered for GST	Registered for GST
Leasehold information	Sells with vacant possession	Sells with vacant possession	Sold as a going concern	Sold under the margin scheme
Sale price	$ 605,000	$ 550,000	$ 550,000	$ 572,000
GST	55,000			22,000
Net to owner	**550,000**	**550,000**	**550,000**	**550,000**
Sales Evidence Recorded	605,000	550,000	550,000	572,000

Source: Hera Antoniades

The chart below illustrates the net to owner is constant but the selling price and sales evidence recorded varies according to the GST status for the individual entities. It is this issue which raises the question on the validity of sales data available to valuers for the purpose of preparing valuation reports.

Table 3.1 Chart highlighting the difference in the sales evidence recorded when the net to owner is constant



These hypothetical examples have demonstrated the disparity of selling prices and sales evidence which change according to the GST status of the entity. However, a worthy point to consider is the annual threshold requirement for GST registration. For example, if an entity receives non-residential income over $75,000 an assumption could be that the entity is registered for GST, or if the non-residential income is under $75,000 perhaps the entity has voluntarily registered for GST. Another scenario is an entity could own two non-residential properties, and each property individually provides an annual turnover of $40,000, however combined together the annual turnover is over the threshold. The valuer could also access the Australian Business Register (ABR) to view the GST status for various entities – assuming the information is up to date, but this would also require the valuer to search for the legal owner of the comparable property so the name is accurately matched up with the ABR. With regards to the vacant land, if a company owned land as an asset and not as trading stock, then this would be an input taxed supply, however an investigation with the ABR could list the company as registered for GST, and the valuer would have difficulty to determine whether or not the sales evidence was exclusive or inclusive of GST. There are many varied circumstances with regards to GST and the accurate discovery for GST application with sales evidence is not an easy situation for the valuer.

CONCLUSION

As evidenced earlier in this paper, property taxes are generally acknowledged as affecting the property price, although it has been difficult to ascertain the extent of this influence. There is also difficulty with empirical studies as the data is not readily available due to reporting requirements not requiring the GST status to be noted. The sales evidence currently recorded does not indicate whether or not there is a GST component in the price of the property. However, because the current annual threshold is $75,000 this indicates that the problem with the validity of the sales data available to valuers is at the lower end of the property prices, where questions arise as to whether or not the vendor is registered for GST. Similarly a vendor might own a number of properties and therefore this assumption is distorted because the combined rentals places the entity over the threshold and must therefore register for GST. Additionally, mixed used premises will also add to the disparity of the GST issue. We can critique the obvious with regards to the varying rules applicable to the GST treatment for real property, however, a simple solution for this issue is to make it compulsory for all sales evidence to clearly identify the GST component. Interestingly the notion of recording the GST data has not been explored within the property industry, and a decade later the disparity for sales evidence continues.

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