



Goods and Services Tax: Margin Scheme Valuation Requirements Determination MSV (No 53) 2015

Explanatory Statement

General Outline of Instrument

1. This determination is made under section 75-35 of the *A New Tax System (Goods and Services Tax) Act 1999* (GST Act).
2. The determination specifies requirements for making valuations for the purposes of the margin scheme under paragraph 75-10(3)(b) of the GST Act.
3. The determination is a legislative instrument for the purposes of the *Legislative Instruments Act 2003*.

Date of effect

4. The determination commences on the day after registration.
5. The determination does not apply retrospectively.

What is this instrument about

6. 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 $\frac{1}{11}$ th of the 'margin' for the supply.
7. 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.
8. This determination specifies requirements for making valuations for that purpose.

What is the effect of this instrument

9. 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* beyond the time period covered by the *A New Tax System (Goods and Services Tax) Margin Scheme Valuation Requirements Determination MSV 2005/2*.
10. Under *A New Tax System (Goods and Services Tax) Margin Scheme Valuation Requirements Determination (No. 2) 2000*, 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.

11. 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.
12. 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 .
13. Compliance cost impact: minor- there will be no or minimal impacts for both implementation and ongoing compliance costs. The legislative instrument is minor or machinery in nature.

Background

14. This determination replaces the *A New Tax System (Goods and Services Tax) Margin Scheme Valuation Requirements Determination MSV 2005/2*.

Consultation:

15. Section 18 of the *Legislative Instruments Act 2003* specifically provides for circumstances where consultation may not be necessary or appropriate. One of those circumstances is where the instrument is considered minor or machinery in nature, and does not substantially change the law.
16. There is no substantive change from the previous instrument therefore the instrument is considered minor or machinery in nature.
17. As such, no further consultation has been undertaken in the development of this instrument.

James O'Halloran
Deputy Commissioner of Taxation
22 September 2015

Legislative references:

A New Tax System (Goods and Services Tax) Act 1999
Legislative Instruments Act 2003
Human Rights (Parliamentary Scrutiny) Act 2011

Statement of Compatibility with Human Rights

This statement is prepared in accordance with Part 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

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This Legislative Instrument is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

Overview of the Legislative Instrument

This Legislative Instrument extends the use of the 'cost of completion valuation method' contained in *A New Tax System (Goods and Services Tax) Margin Scheme Valuation Requirements Determination (No.2) 2000* in circumstances where the supplier entered into the contract before 1 July 2005, but the supply under the contract did not occur until after 1 July 2005.

Human rights implications

This Legislative Instrument does not engage any of the applicable rights or freedoms as it is considered to be minor or machinery in nature and does not substantially change the law.

Conclusion

This Legislative Instrument is compatible with human rights as it does not raise any human rights issues.