

Changes Foreign Resident Capital Gains Withholding from 1 July 2017

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Where a foreign resident sells Australian property over \$750,000.00, the purchaser is now required to withhold 12.5% of the purchase price (or cost base) and pay that amount to the Australian Taxation Office (ATO) prior to completion, unless a clearance certificate has been obtained by the vendor from the ATO.

On 22 June 2017, the Treasury Laws Amendments (Foreign Residents Capital Gains Withholding Payments) Bill 2017 came into effect which reduced the threshold and increased the rate of the foreign residents capital gains tax withholding.

The effect of the legislation is that for any contracts entered into after 1 July 2017:

- The threshold to withhold has been reduced from \$2m to \$750,000.
- The withholding rate has been increased from 10% to 12.5%.

EXAMPLE: If you entered into a contract to buy a property from a foreign resident for \$850,000 and you are not provided with a clearance certificate from the ATO by the vendor before settlement, you will now be required to withhold \$106,250 from the purchase and remit that sum to the ATO.

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