

ATO clearance certificates applying to ALL CONTRACTS from 1 January 2025

The ATO's updated Foreign Resident Capital Gains Withholding (FRCGW) requirements are expected to increase government receipts and improve housing affordability for Australians by ensuring all foreign residents meet their tax obligations.

Key Changes:

- **Threshold Removed:** The \$750,000 threshold has been reduced to \$0, requiring clearance certificates for all sales, regardless of the sale price.
- **Withholding Rate Increased:** The rate has risen from 12.5% to 15%.

The impact of FRCGW Tax on Property Transactions

Impact on Australian Resident Sellers:

- **Requirement to Obtain a Clearance Certificate:** *must provide a clearance certificate to avoid having 15% of the sale price withheld.*
- **Penalties for Non-Compliance:** *failing to provide the Clearance Certificate may incur financial penalties, and the withheld amount may only be refunded after filing a tax return.*

Impact on Foreign Resident Sellers:

- **Higher Withholding Rates:** increased from 12.5% to 15%.
- **Exemptions and Variations:** *may apply for a variation to reduce the withholding amount if they expect to make a capital loss or have other mitigating circumstances.*

Impact on Buyers:

- **Obligation to Withhold and Remit Tax:** *required to withhold the specified percentage of the purchase price if the seller does not provide a valid clearance certificate. Failure to comply can result in penalties and interest charges.*

To help sellers comply with these new rules and avoid unnecessary delays, here's what we recommend:

- When you are getting ready to place your property on the market, check in with your conveyancer and accountant to see what is required to complete the Clearance Certificate.
- Ensure the name registered with the ATO matches the name on the title.
- Correct discrepancies with the ATO, especially if unrelated to official name changes.
- Apply for the Clearance Certificate only after confirming the name is correctly registered.

These changes will ensure smoother transactions for all parties while aligning with the ATO's updated FRCGW requirements.

TESTIMONIAL

HIGHLY RECOMMEND

Monica and the team showed many attributes with selling my mum's home.

Long established local agent, wealth of knowledge, aware of the community dynamics, excellent communication, kept informed at all times, attention to detail, professional and welcoming rapport, managed everyone's stress levels & concerns, realistic with price & overall a smooth selling process.

Verified by RateMyAgent

Review submitted by J & M Lilley (Vendors) -

45 Obi Obi Road, Mapleton - 11 Jan 2025



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