

## Indirect tax update

1 July 2015

### **Goods and services tax (GST)**

#### **Development lease arrangement with Government agencies**

On 3 June 2015, the Commissioner published GSTR 2015/2 Goods and services tax: development lease arrangements with government agencies. The Ruling explains the GST treatment of particular transactions arising in the context of development lease arrangements entered into between government agencies and private developers.

In particular, the Ruling considers:

- the relevant principles for identifying and characterising the various supplies that are made for consideration under a development lease arrangement, including whether:
  - the grant of a short-term lease or licence (development lease) by the government agency to allow the developer to undertake the development on the land is a supply for consideration
  - upon completion of the works on land owned by the government agency, the developer makes a supply of development services to the government agency for consideration (being an interest in the land)
  - the sale of the freehold or grant of the long-term lease of the land by the government agency to the developer is a supply for consideration (being the development services)
- the extent to which the consideration for particular supplies made under a development lease arrangement is non-monetary
- how to determine the value of any non-monetary consideration provided for supplies made in the context of a development lease arrangement
- the attribution, under Division 29 of the GST law, of the GST liabilities and input tax credit entitlements that may arise under development lease arrangements.

Further details are available in our [TaxTalk Alert](#). For more information contact Denis McCarthy on (02) 8266 3028.

### **Customs**

#### **Landmark signing of the China-Australia Free Trade Agreement**

On Wednesday 17 June, Australia signed what has been hailed as a "landmark" Free Trade Agreement (FTA) with China, our largest trading partner.

While Australia has recently secured unprecedented access into Asia with other FTAs having been implemented, it is the China-Australia Free Trade Agreement (ChAFTA) which represents the jewel in Australia's FTA crown.

When ChAFTA enters into force, importers will receive significant tariff reductions, either immediately or through a phased reduction in tariff rates over a three to five year period. In terms of exports, more than 85 per cent of Australian goods exports will be duty free, rising to 95 per cent once full implementation is achieved.

According to the Department of Foreign Affairs and Trade, key outcomes achieved include:

### **Imported goods**

- Apparel: phased tariff reductions down from 5 per cent to 0 per cent over three years
- Automotive: phased tariff reductions down from 5 per cent to 0 per cent over three years
- Machinery: Immediate removal of 5 per cent tariffs on most goods
- Other manufactured goods: Immediate removal of 5 per cent tariffs on most goods such as electronic equipment, whitegoods, televisions etc.

### **Exported goods**

- Agriculture: phased removal of tariffs of up to 25 per cent for Australia's beef and sheep industries
- Dairy: progressive removal of tariffs of up to 20 per cent
- Resources and Energy: wide-spread reduction in rates including instant removal of tariffs on coking coal and the 8 per cent tariff on aluminium oxide

- Wine: removal of tariffs for Australian wine exporters of up to 20 per cent over four years.

### **Services**

- Health Services: increased opportunities for Australian health sector providers to invest in or operate in China
- Financial Services: greater access for Australian businesses such as fund managers and insurers, and relaxation of regulatory barriers on Australian investments in China
- Other service providers: improved market access for service providers including Australian banks, law firms, as well as educational, mining, construction and telecommunications service exporters.

It is important to note that the signing of the Agreement does not mean that tariff reductions and greater market access are immediately available. Both countries must first complete their domestic legislative and governmental processes before the Agreement enters into force. We are anticipating ChAFTA implementation to occur later this year, with another potential

round of duty rate reductions to occur 1 January next year.

Given the short time frame in which to start preparing for ChAFTA's entry into force, businesses are recommended to start planning now so that cost reductions and expanded market opportunities can be realised when ChAFTA commences.

### **Inquiry into Australia's anti-circumvention framework in relation to anti-dumping measures**

On 1 June 2015, the House of Representative Agriculture and Industry Committee tabled its report – *Circumvention: closing the loopholes – Inquiry into Australia's anti-circumvention framework in relation to anti-dumping measures*.

The Committee made three recommendations including that the Minister for Trade and Investment, in imposing any anti-dumping duties, should use a combination of duties in preference to a single duty. According to the Committee, this should be the default position in each case, unless it can be demonstrated by the Minister that a single duty is more suitable than a combination.

## ***Let's talk***

For a deeper discussion of how these issues might affect your business, please contact:

Peter Konidaris, National  
Indirect Taxes Leader  
+61 (3) 8603 1168  
[peter.konidaris@au.pwc.com](mailto:peter.konidaris@au.pwc.com)

Adrian Abbott, Sydney  
+61 (2) 8266 5140  
[adrian.abbott@au.pwc.com](mailto:adrian.abbott@au.pwc.com)

Gary Dutton, Brisbane  
+61 (7) 3257 8783  
[gary.dutton@au.pwc.com](mailto:gary.dutton@au.pwc.com)

Suzi Russell-Gilford, Sydney  
+61 (2) 8266 1057  
[suzi.russell@au.pwc.com](mailto:suzi.russell@au.pwc.com)

Matthew Strauch, Melbourne  
+61 (3) 8603 6952  
[matthew.strauch@au.pwc.com](mailto:matthew.strauch@au.pwc.com)

Ross Thorpe, Perth  
and Sydney  
+61 (8) 9238 3117  
[ross.thorpe@au.pwc.com](mailto:ross.thorpe@au.pwc.com)

Michelle Tremain, Perth  
+61 (8) 9238 3403  
[michelle.tremain@au.pwc.com](mailto:michelle.tremain@au.pwc.com)

© 2015 PricewaterhouseCoopers. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers a partnership formed in Australia, which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity. This publication is a general summary. It is not legal or tax advice. Readers should not act on the basis of this publication before obtaining professional advice. PricewaterhouseCoopers is not licensed to provide financial product advice under the Corporations Act 2001 (Cth). Taxation is only one of the matters that you need to consider when making a decision on a financial product. You should consider taking advice from the holder of an Australian Financial Services License before making a decision on a financial product.

*Liability limited by a scheme approved under Professional Standards Legislation.*

WL127029090