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## PROPERTY BULLETIN VENDOR DUTY

Although vendor duty has been with us for well over six months now, and indeed many people have either held on to their investment properties or invested in other states to avoid paying vendor duty, many vendors still remain unaware of the vendor duty, and more particularly fail to seek proper advice with regard to more complex property transactions where the operation of vendor duty could result in unforeseen duty liability.

Most property transactions involving investment properties where the vendor's sale price exceed the purchase price on acquisition by more than twelve percent will carry a 2.25 percent vendor duty upon disposal.

In some situations vendor duty will be payable even though it is not expected. Take for example the scenario of parents selling their investment property to one of their children at a price considerably less than market value, say for instance the same price as what the property was acquired for by the parents initially. The vendor duty regulations for a transaction such as this result in vendor duty being

payable not on the transfer price, but on the market value of the property at the time of the transfer. Thus, if property markets had risen considerably since the initial acquisition of the property by the parents, vendor duty liability would result. Furthermore, capital gains tax liability could also result, as CGT liability will be calculated not on the transfer price, but again on the market value of the property at the time of transfer.

Other examples would be the sale of a business where the value of land related property being transferred is more than sixty percent of the sale price and the sale of a principal place of residence which is also used for non residential purposes.

Anyone contemplating selling their real estate, their business or entering into any transaction involving land related property should seek legal advice prior to entering into any agreement with regard to that land related property in order that not only vendor duty liability can be properly assessed, but indeed all relevant tax liability can be determined.

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