

STRATA COMPANIES – WHAT ARE THE TAX OBLIGATIONS?



Do you operate or are you involved in the management of a strata company? A Strata company is a body corporation made up of all the owners in a strata scheme. It is responsible for maintaining and repairing common property and managing the finances of the strata scheme. There is a common misconception that strata companies do not have any tax obligations. The reality is that there may be GST and/or income tax obligations associated with operating a Strata company.

INCOME TAX OBLIGATIONS

From a tax point of view, a strata company is deemed to be a company and is required to lodge an income tax return when it has “derived assessable income” or when the ATO has requested one.

Assessable income of a body corporate is generally all income received apart from income from mutual sources. Owner levies or contributions towards administration and sinking funds is considered to be mutual income. Any other income received such as interest, dividends etc is not considered mutual income and would be subject to the company tax rate (generally 30%). Any income derived from common property such as income from a mobile phone tower on common property is subject to specific rules. Any expenses of the strata company are generally apportioned between mutual and other income.

Example

Strata title body corporate 'xyz' receives \$30000 from proprietors' levies and \$1500 net interest from investment of these funds.

An income tax return is required to be lodged returning assessable income of \$1500 representing the net interest from investment.

GST

For GST purposes, a strata company is considered to be carrying on an enterprise and must register for GST if it has a turnover is more than \$75000. This means that GST would need to be charged on all strata levies but GST credits can be claimed on costs in relation to these. GST credits can be claimed on purchases related to administering the property including electricity, landscaping, management, cleaning, repairs etc.

If you would like more information about the tax obligation of Strata companies, then feel free to contact either Gino Terriaca, Tony Cassetai or Silvia Caratti of Maxim Private Advisory on (08) 94892555 or info@maximadvisory.com.au

Please note that this is general information only and professional advice should be obtained before acting on any information contained herein.