



## Reduction in Consideration

This Commissioner's practice provides guidance on how the Commissioner will assess or reassess the duty payable on a transaction if the consideration was reduced after the agreement was entered into.

### Background

If the consideration under an agreement to transfer dutiable property is reduced after the agreement is entered into but before the property is transferred, section 31(1) of the *Duties Act 2008* (Duties Act) allows the Commissioner to assess or reassess duty on the reduced consideration if:

- (a) the reduced consideration is not less than the unencumbered value of the dutiable property when the consideration was reduced or
- (b) the consideration is reduced because the parties have agreed not to transfer some of the dutiable property previously agreed to be transferred and the reduced consideration is not less than the unencumbered value of the remaining dutiable property that is to be transferred.

Otherwise, section 31(3) of the Duties Act provides the dutiable value of the transaction will be assessed or reassessed according to the unencumbered value of the dutiable property at the date the consideration was reduced.

Commissioner's Practice [TAA 30 'Valuation of Land for Duties Purposes'](#) sets out the information a taxpayer must provide for the Commissioner to have a valuation made of dutiable property (other than life and remainder interests), and clarifies when the Commissioner will accept a valuation from a qualified valuer.<sup>1</sup>

### Commissioner's Practice

#### *Valuation of dutiable property*

1. The Commissioner will obtain a valuation of the dutiable property as at the date the consideration was reduced unless the parties to the agreement are dealing at arms length and:
  - 1.1 the consideration was reduced by \$5,000 or less for a reason other than an inducement or discount for early settlement or
  - 1.2 the consideration was reduced by more than \$5,000 and an independent report from a licensed building inspector identifies damage to, or defects of, the dutiable property and the cost to repair the damage or defects is greater than or equal to the amount by which the consideration was reduced or

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<sup>1</sup> A *qualified valuer* is defined in the TAA as meaning a person licensed or registered under the *Land Valuers Licensing Act 1978* or a corresponding Act in another State or Territory, or a person who the Commissioner is satisfied is suitably qualified or experienced to provide a valuation.

- 1.3 the total unencumbered value of the dutiable property at the date the consideration was reduced does not exceed \$2 million and the taxpayer has a valuation from a qualified valuer as set out in Commissioner's Practice [TAA 30 'Valuation of Land for Duties Purposes'](#).
2. A valuation is not required if Goods and Service Tax (GST) was included in the purchase price, but the parties have reduced the purchase price by an amount equal to the GST because:
  - 2.1 the transaction is a supply of a going concern
  - 2.2 the transaction relates to the purchase of existing residential property or
  - 2.3 an ATO ruling provides that GST does not apply to the transaction.

### *Examples – Valuation not required*

#### *Example 1*

Jane entered into a contract for sale on 1 June 2023 to purchase a home for consideration of \$500,000. The contract specified that settlement was to occur on 31 July 2023 and was subject to the seller removing a shed from the property prior to settlement.

On 20 July 2023, the seller notified the purchaser that they were unable to remove the shed prior to settlement. The parties agreed to reduce the purchase price to \$495,000 in exchange for the buyer removing the shed.

As the reduction did not exceed \$5,000 and was not an inducement or discount for early settlement, duty was assessed on the reduced consideration of \$495,000.

#### *Example 2*

John entered into a contract for sale on 1 August 2023 to purchase vacant land for consideration of \$354,000. The terms of the contract specified settlement was to occur on 31 October 2023.

On 15 August 2023, the parties varied the contract to provide an earlier settlement date in return for reduced consideration of \$350,000.

As the reduction was considered an inducement or discount for early settlement, duty was assessed with respect to the original consideration of \$354,000 which represents the unencumbered value of the land.

#### *Example 3*

Sunita entered into a contract for sale on 3 February 2024 to purchase a home for consideration of \$880,000. The consideration amount included GST of \$80,000. Before settlement was due to occur, the parties received advice from their accountant that GST isn't payable because the transaction is for the sale of an existing residential property.

The parties varied the contract to reduce the consideration by \$80,000 to remove the GST component of the purchase price.

As the reduction was an amount equal to the GST that wasn't payable on the transaction, duty was assessed on the reduced consideration of \$800,000.

### *Example – Valuation required*

Eve entered into a contract for sale on 1 December 2023 to purchase a home from Khan for consideration of \$750,000. The terms of the contract specified settlement was to occur by 31 January 2024, and was conditional upon Eve being approved for finance and accepting an offer for the sale of her home for consideration of \$500,000 by 15 January 2024.

On 10 January 2024, Eve accepted an offer for the sale of her home for \$485,000. As Eve was unable to finance the purchase of Khan's home for the agreed consideration, the parties agreed to reduce the consideration to \$735,000.

As the consideration was reduced by more than \$5,000, the property must be valued as at the date of the variation to ascertain the unencumbered value of the property at the date the consideration was agreed to be reduced. The duty will then be assessed on the greater of either the reduced consideration of \$735,000 or the unencumbered value of the property.

### **Assessment and reassessment**

3. The taxpayer must provide relevant evidence to the Commissioner when applying for an assessment or reassessment, for example, a copy of the building inspection report. The evidence required for a reduction under 2.1 and 2.2 is written advice from a suitably qualified professional confirming that GST is not payable because the transaction is a supply of a going concern or the transaction relates to a private residence. The Commissioner may require additional information to be satisfied the property does not need to be valued.
4. If the reduced consideration is not less than the unencumbered value of the dutiable property as at the date the consideration was reduced, the Commissioner will assess or reassess the agreement for transfer on the reduced consideration at same rate and using the same thresholds that applied when liability to duty on the transaction initially arose.
5. If the reduced consideration is less than the unencumbered value of the dutiable property as at the date the consideration was reduced, the Commissioner will assess or reassess the agreement for transfer on the unencumbered value of the dutiable property at the same rate that applied when liability to duty on the transaction initially arose.
6. An application for reassessment must be made within five years from the date of issue of the original assessment.<sup>2</sup>

### **Date of effect**

This Commissioner's practice takes effect from 11 November 2024.

Chris McMahon  
COMMISSIONER OF STATE REVENUE  
11 November 2024

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<sup>2</sup> *Taxation Administration Act 2003* section 17(1).

## Commissioner's Practice history

Commissioner's Practice	Issued	Dates of effect	
		From	To
DA 28.0	12 November 2010	12 November 2010	31 May 2012
DA 28.1	1 June 2012	1 June 2012	7 May 2015
DA 28.2	8 May 2015	8 May 2015	31 October 2016
DA 28.3	1 November 2016	1 November 2016	10 November 2024
DA 28.4	11 November 2024	11 November 2024	Current