Australian Government
Australian Taxation Office

Selling and purchasing property – capital gains withholding

Information you need when selling Australian property

Background

Foreign resident capital gains withholding (FRCGW) applies to all Australian property sales, unless the vendor (property seller) is either:

- an Australian resident for tax purposes and has a valid **clearance certificate**
- a foreign resident and has a **variation notice** reducing the amount to be withheld.

FRCGW applies if you are selling:

- your home
- residential, investment and commercial property
- vacant land, or
- buildings.

A vendor may be:

- an individual
- a deceased estate
- an entity, such as a trust, company or super fund.

How much is withheld from the property sale?

For contracts signed on or after 1 January 2025, the FRCGW rate is 15% of the value of the property.

A foreign resident may be eligible to reduce the amount withheld by applying for a **variation notice**.

What vendors need to do

What you need to do depends on whether you are an Australian resident or a foreign resident for tax purposes.

To work out your residency, visit ato.gov.au/residency

Australian residents

Australian residents **must** have a valid clearance certificate issued by the ATO and provide it to the purchaser at, or before, settlement. If there is no clearance certificate, the purchaser **must** withhold 15% of the sale price and pay it to the ATO.

Apply for a clearance certificate as soon as you're thinking about selling, as it can take up to **28 days** to process and issue. They are free and are valid for 12 months from the date of issue. If you decide not to sell, there's no requirement to use it.

Each vendor named on the certificate of title **must have their own** clearance certificate. Applications are processed separately so each vendor may receive their clearance certificate at different times.

If you haven't provided a clearance certificate in time and an amount is withheld, you need to lodge a tax return for the income year you signed the contract of sale to have that amount credited to you. This is even if your income was below the tax-free threshold amount. The withheld amount will be refunded in full if you don't have any tax debts and there's no capital gains tax (CGT) payable on the property sale.

You can find the application form and more information at ato.gov.au/clearancecertificate

Foreign residents

Depending on their tax circumstances, foreign residents may apply for a **variation notice** to reduce the rate of withholding to between 0% and 14.99%.

If you think you're eligible for a variation notice, apply as soon as you sign your sale contract. Include a copy of the contract and certificate

of title with your application. Variations take up to **28 days** to process and issue.

If you don't have a variation notice, the purchaser must withhold 15% from the sale price and pay it to the ATO.

If an amount is withheld, you may lodge a tax return to have that amount credited to you.

You must lodge your tax return for the income year you signed the contract of sale. You will be refunded in full if you don't have any tax debts and there's no CGT payable on the property sale.

You can find the application and more information at ato.gov.au/variation

Information you need when purchasing Australian property

Background

Foreign resident capital gains withholding (FRCGW) applies to all Australian property sales, unless the vendor (property seller) is either:

- an Australian resident for tax purposes and has a valid **clearance certificate**
- a foreign resident and has a **variation notice** reducing the amount to be withheld.

FRCGW applies if you are purchasing:

- your home
- residential, investment and commercial property
- vacant land, or
- buildings.

How much is withheld from the property sale?

For contracts signed on or after 1 January 2025, the FRCGW is 15% of the value of the property.

What purchasers need to do

If you buy an Australian property, you may have to withhold part of the sale price and pay it to the ATO. The amount you withhold depends on whether the vendor provides you with one of the following at, or before, settlement:

- **clearance certificate** – you don't have to withhold any amount from the sale price. Each vendor must provide their own clearance certificate
- **variation notice** – you withhold the amount stated. This can be between 0% to 14.99% of the sale price.

Ensure that the first name and family name or entity name on the clearance certificate or the variation notice matches the property certificate of title. For more details see ato.gov.au/clearancecertificatenames

If an amount is required to be withheld, purchasers should use the *Foreign resident capital gains withholding purchaser payment notification* form to notify the ATO.

You need to complete and lodge the form with the ATO on or before the day of settlement of the purchase of the asset. You must use the payment reference number (PRN) issued when you lodge the form to ensure the payment goes to the correct account without delay.

If you have withheld an amount from the sale of a property, you must pay that amount to the ATO.

At settlement, give a copy of the payment confirmation to the vendor, so they have the information they need to complete their tax return.

Purchasers failing to withhold and pay FRCGW at, or before, the settlement date may be subject to penalties.

You can find the application and more information at ato.gov.au/FRCGWpayment

This is a general summary only.
For more detailed information and examples, visit ato.gov.au/FRCGW

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