

38

If a house on a single title block of land (that is, the single acquirable asset) is acquired under a contract of purchase with a deposit paid upon entering into that contract and the balance payable at settlement, each payment is applied for the acquisition of that single acquirable asset and may be funded under a single LRBA.

39

If a contract is entered into for an off-the-plan purchase of a strata titled unit (that is, the purchase of a unit that is yet to be built and strata titled) and under the contract a deposit is required upon entering into the contract with the balance payable at settlement after the unit is built and strata titled, each payment is applied for the acquisition of that strata titled unit. Providing that the strata titled unit is a single acquirable asset^[29] the deposit and the balance payable at settlement may be funded under a single LRBA.

40

A similar outcome results if the contract entered into is for the purchase of a single title vacant block of land along with the construction of a house on that land before settlement occurs. In this situation the deposit paid upon entering into the contract and the balance payable upon settlement is applied for the acquisition, under that contract, of land with a completed house on it. The deposit and the balance payable at settlement may be funded under a single LRBA. ^[30]



SMSFR 2012/1 – Sections 38 – 41 and Example 10 – Property development

41

However, if an option is acquired for an off-the-plan purchase of a house on a single title block of land or a strata titled unit, the relevant single acquirable asset is the option. The money applied to acquire the option may be funded under an LRBA. However, the subsequent acquisition of the house and land or the strata titled unit upon exercise of that option would need to be funded under a separate LRBA, as the asset acquired upon exercise of the option is different to the option asset itself

Example 10 - acquisition of a yet to be constructed house on land using borrowings

71

The trustees of an SMSF want to enter into a contract to acquire, as a 'package', land with a yet to be constructed house on it and to fund the acquisition using borrowings under an LRBA. As the contractual arrangement is for the acquisition of land with a completed house on it, and settlement occurs once construction of the house is finished, the deposit and the payment on settlement can be funded under a single LRBA.